INTERNATIONAL JOURNAL OF RESEARCH CULTURE SOCIETY

ISSN: 2456-6683

Monthly Peer-Reviewed, Refereed, Indexed Research Journal

UGC approved Journal with Global Indexing

Impact Factor: 3.449

Publishes original research papers/articles, reviews, mini-reviews, case studies, synopsis, research project and short research communications of all subjects/topics

Special Issue : 13

National Seminar on

Modern Initiatives in Banking Sector – Strategic Perspectives

(MIBS-2018)

20th & 21st April, 2018

Benefits to publish the Paper in IJRCS

- **IJRCS is an Open-Access, peer reviewed, Indexed, Refereed International Journal.**
- **Author Research Guidelines & Support.**
- **Platform to researchers and scholars of different field.**
- **Reliable and Rapidly growing Publication with nominal publication fees.**
- **Prestigious Editorials from different Institutes of the world.**
- **Communication of authors to get the manuscript status time to time.**
- **Quick and Speedy Review Process.**
- **Full text of all articles in the form of PDF format.**
- **Individual copy of "Certificate of Publication" to all Authors of Paper.**
- **Indexing of paper in all major online journal databases like Google Scholar, Academia, Scribd, Mendeley, and Internet Archive.**
- **Open Access Journal Database for High visibility and promotion of your article with keyword and abstract.**
- **Provides ISSN to Conference / Seminar Proceeding papers.**

RESEARCH CULTURE SOCIETY & PUBLICATION

Email: editorijrcs@gmail.com

Web Email: editor@ijrcs.com

Cont. No: +91 9033767725

WWW.IJRCS.ORG

NATIONAL SEMINAR

MODERN INITIATIVES IN BANKING SECTOR – STRATEGIC PERSPECTIVES

On

20th & 21st April, 2018

The Managing Editor

Dr. Chirag M. Patel
(Research Culture Society – IJRCS)

Co-Editor

Dr. P. Amaraveni
Assistant Professor
University College of Commerce & Business Management
Kakatiya University

Organised by

University College of Commerce & Business Management
Kakatiya University
Warangal – Telangana State 506 009

About the seminar

The paradigm of banking sector has undergone rapid transformation during the last two and half of decades. With a changing economic and financial structure, especially after the global financial crisis of recession the need for improving the performance of commercial banks increased significantly.

With the introduction of financial sector reforms since mid 1990s, banks in their concern and commitment to improve profitability, banks are asked to comply with the RBI's stipulations of capital adequacy income recognition maintaining quality of assets and minimizing incidence of non- performing assets (NPA).

The continuous rise of NPAs of the banks posed a serious threat to the stability of the financial system. Consequent upon this, banks accorded low priority to lending to agriculture. Besides banks suffered heavily because of the Government announcing wholesale write off loans and waiver of interest which impacted on the overall culture of recovery and vitiated the climate of recovery.

Financial sector reforms provided the necessary platform for the banking sector to operate on the basis of operational flexibility and functional autonomy enhancing productivity, efficiency and profitability. Since 2002 onwards Indian banking system faces several difficult challenges such as high transaction cost, high level of NPA's, low level of customer satisfaction and intensified competition from foreign banks and competition from global banking giants.

Many new initiatives have been taken in the recent past for improving profitability, operational performance along with digitalization of banking services. Some of them include core banking solutions, Electronic Fund Transfer, online banking, mobile banking, retail banking in addition to ATMs. Banking from any where is the order of the day to provide greater access to the customers. The significance of paperless currency increased further with demonetization. It is not out of place to caution both the bankers and users to use appropriate risk management strategies to minimize technology risks as well.

Objectives of the Seminar

The Seminar will bring academicians, banking officials, professionals, research scholars, students and policymakers together on one platform to deliberate on modern initiatives in banking sector. It will be a forum to exchange and share experiences, thoughts and suggestions for betterment of policies in banking sector.

- To discuss the modern policy initiatives in Banking Sector
- To throw light on technology initiatives in Banking Sector

- To know the reasons for incidence of NPAS and to discuss measures to curb NPAs.
- To examine the Human Resource Management related issues in Banking Sector.

Sub themes of the seminar

- Agriculture lending
- Retail Banking
- Financial Inclusion
- Foreign banks
- Financial literacy
- Capital Adequacy Norms
- Bassel I, Basel II and Bassel III norms
- Customer relationship Management
- IFRS in banks
- MIS in banks
- Challenges in banking sector
- Demonitisation
- Personal Finance
- FRDI Bill — Bail in & Bail out
- Challenges of cyber risks
- New Payment initiatives
- Bitcoin-A Bubble or Alternate
- Virtual currency challenges
- ICT Initiatives in banking
- Credit Management
- NPAs Management
- Bankassurance
- Liquidity Management and Credit Risk Management
- Human Capital Management in Banking Sector
- Human Capital Management in banks
- Work Life Balance in banking sector
- Frauds in banking
- Stress Management
- Job Satisfaction

About Kakatiya University

Kakatiya University, Warangal was established on 19th August, 1976 to fulfill he aspirations of the Telangana people for higher education. The founding of the University was in fact a historic event in the sense that heralded a new era in the realms of higher education of this region. It is the NAAC 'A' Grade University and the second largest in terms of number of affiliated colleges and student enrollment. The development of the University over the years has been very impressive. The University situated in a sprawling area of about 650 acres, has now 32 departments and 8 faculties on the campus with a network of 18 constituent colleges and 387 affiliated colleges spread over 3 districts. The University is now offering programmes in Commerce and Business Management, Engineering, Pharmacy, Law, Computer Science, Education, Science, Arts, Oriental courses through its, constituent and affiliated colleges. In addition, the School of distance Learning and Continuing Education (SDLCE) is offering a large number of programmes through distance mode.

The University is vibrant with research activities carrying out the projects sponsored by various funding agencies. The Department of Science and Technology, New Delhi, has identified the Departments of Botany, chemistry and Pharmacy under FIST while the University Grants Commission is supporting the Department of commerce and Business Management, Chemistry, Botany, Pharmacy, Economics, Telugu and Public Administration under its DRS and SAP-II.

About the College

The Department of Commerce & Business Management was started during the academic year 1968-69 and it is now one of the prestigious Departments of Kakatiya University. The Department was upgraded into a full-fledged University College (University College of Commerce and Business Management) in the year 2013. The College is endowed with qualified and experienced faculty. Some of the faculty members were trained at Ws, XLRI, MDI-IIFT and premier management institutions. The Department is at present offering the Under graduate and Post-Graduate courses in Commerce and Business Management in various constituent, government aided and private affiliated colleges under the jurisdiction of Kakatiya University. The College offers M.Phil and Ph.D. programmes apart from M.Com. M.com. (C.A.) and MBA on the campus. The faculty offers various U.G. and P.G. programs such as MBA, Executive MBA, M.Com (FA.), M.Com (Computer Science), M.com (Taxation), M.Com (Tax Procedures), M.Com (Banking and Insurance), B.Com, B.Com (Comp.Sc), B.Com (Banking and Insurance), B.Com (Taxation) and BBM etc. through its Constituent and affiliated colleges.

Chief Guest

Prof. R. Sayanna
Vice-Chancellor,
Kakatiya University, Warangal

Keynote Speaker

Sri. Khaza Sudhakar
Former Director
RBI Note Mudran Sansthan, Mumbai

Guests of Honour

Prof. S. Kamaleshwar Rao
Dean, Faculty of Com. & Bus. Mgmt
Kakatiya University, Warangal

Prof. T. Srinivas Rao
Director, Self-Financing Courses,
Kakatiya University, Warangal

President

Prof. V.V.Subramanya Sarma
Head & Principal
UCCBM, KU, Wgl.

Seminar Director

Dr. Pasunuri Amaraveni
Assistant Professor, UCCBM, KU, Wgl.

Venue:
Seminar Hall, Univ. College of Commerce & Business Management,
Kakatiya University, Warangal.

DISCLAIMER

UNIVERSITY COLLEGE OF COMMERCE & BUSINESS MANAGEMENT

KAKATIYA UNIVERSITY
WARANGAL
TELANGANA STATE

INDEX

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

Measuring financial inclusion of Tribal's in Banking Financial services

Dr. BYRAM ANAND
Assistant professor, Department of Management, Pondicherry University, karaikal campus Nehru Nagar ,Karaikal, Pondicherry-India

Abstract : *Financial inclusion is emerging as a new standard of economic growth that plays major role in lashing away the poverty from the country, It refers to delivery of banking services to masses including fortunate and underprivileged people at an affordable terms and conditions the supply-side measured financial inclusion can be traced out as a "top-down" approach and comes from the providers of financial services. The collected supply side data are mostly based on branch network, ATM"s network, branch timings, documentation procedure, and suitability of products. On the other hand, demand-side data can be derived from a "bottom-up" approach. The account penetration in India shows a sharp increase during the period 2011 and 2014. The results of accounts penetration can be attributed to significant effect from the PMJDY financial inclusion strategy for complete financial inclusion. Accessibility to banking amenities is regarded as a valuable determining factor of monetary health for households more so for the disadvantaged sections of the society. Financial amenities help people to align revenue and spending arrangements over a period and insure them to take care of any financial shocks and to engage in income generating activities. Further, the results of the study confirmed that the five dimensions namely, physical proximity, availability, easiness of accessibility, usability and affordability are the distinct constructs for financial inclusiveness. Each dimension has a significant relation with financial inclusion*

Key words*: Economy, Financial inclusion, Banking, financial system, ATMs, SHG*

1. INTRODUCTION:

Financial inclusion is emerging as a new standard of economic growth that plays major role in lashing away the poverty from the country. It refers to delivery of banking services to masses including fortunate and underprivileged people at an affordable terms and conditions. Financial inclusion is important main concern of the country in terms of economic growth and advanceness of society. It enables to condense the gap between rich and poor population. In the current scenario financial institutions are the strong pillars of progress, economic escalation and development of the country

India is a country of 1.2 billion people, spread across 29 states and seven union territories. There are around 600,000 villages and 640 districts in our country. The term 'financial inclusion' was used for the first time in April 2005 in the Annual Policy Statement presented by (Y.Venugopal Reddy,) [1] the then Governor, Reserve Bank of India. Wherein he had expressed deep concern on the exclusion of vast sections of the population from the formal financial system, Khan Committee Report, the RBI exhorted the banks with a view to achieving greater financial inclusion to make available a basic "no-frills" banking account. The recommendations of the Khan Committee were incorporated into the mid-term review of the policy (2005–06). As a result of the campaign, states and union territories like Puducherry, Himachal Pradesh and Kerala announced 100% financial inclusion in all their districts. Reserve Bank of India's vision for 2020 is to open nearly 600 million new customers' accounts and service them through a variety of channels by leveraging on IT. However, illiteracy and the low income savings and lack of bank branches in rural areas continue to be a roadblock to financial inclusion in many states and there is inadequate legal and financial structure.

Financial Inclusion is defined as "the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost" (Rangarajan, 2008)[2] in the report of the Committee on financial inclusion in India. The aim of Financial Inclusion (FI) is to make easy access of financial services to the large underprivileged population of the country

2. LITERATURE REVIEW:

A vast majority of the population, especially in rural areas, is excluded from the easy access to finance (Gounasegaran, Kuriakose, & Iyer, 2013)[3]. Forty per cent of the households having bank accounts, but only 38 per cent of the 117,200 branches of scheduled commercial banks are working in rural areas. Accessibility of financial services at affordable and appropriate prices has been always a global issue. Hence, an inclusive financial system is required widely not only in India, but has become a policy priority in various countries. Financial access can surely improve the financial condition and living standard of the poor and the deprived section.

The different financial services include access to savings, loans, insurance, payments and remittance facilities offered by the formal financial system. This aspect of financial inclusion is of vital importance in providing economic security to individuals and families (Kelkar, 2014)[4]. India is one country where the Financial Stability and Development Council (FSDC) have a specific mandate for financial inclusion and financial literacy

(Aghion & Bolton, 1997; Banerjee & Newman, 1993; Banerjee, 2001)[5] discussed that access to finance has been seen as a critical factor in enabling people to transform their production, employment activities and to exit poverty. Researchers have been argued that the very fundamental activities of the banking sector, delivery of credit, are essential to boost any economic activity and enable the generation of capabilities

Uma and Rupa (2013)[6] made an attempt to examine the role of SHGs in financial inclusion and reflected the positive relationship between SHGs membership and financial inclusion. The study revealed that after the membership to SHGs there was increase in the number of bank accounts, credit availed by the members and annual repayment of the loan also shown positive trend.

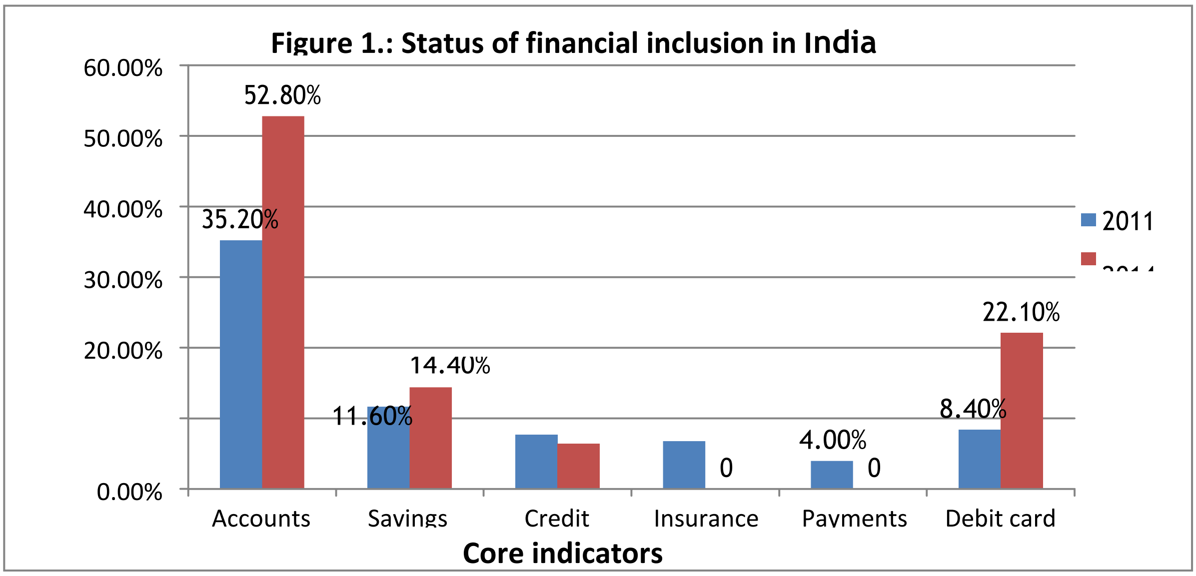
3. MEASURING FINANCIAL INCLUSION:

Financial inclusion can be measured predominantly from the supply side (service provider's perspective) and demand side (user's perspective) at global level including India. As the importance of financial inclusion becomes increasingly evident, demand for more financial access data has increased for the provision of strategies formulation. It needs to be understood that the supply, as well as demand-side indicators assume an important role regarding the status of financial inclusion. The supply-side measured financial inclusion can be traced out as a "top-down" approach and comes from the providers of financial services. The collected supply side data are mostly based on branch network, ATM‟s network, branch timings, documentation procedure, and suitability of products. On the other hand, demand-side data can be derived from a "bottom-up" approach.

4. STATUS OF FINANCIAL INCLUSION IN INDIA:

According to World Bank, financial inclusion in India has witnessed a considerable growth rate in account penetration in the year 2014. Around 53 per cent of adults are having bank account, much higher than that of 35.2 per cent in 2011. The account penetration in India shows a sharp increase during the period 2011 and 2014. The results of accounts penetration can be attributed to significant effect from the PMJDY financial inclusion strategy for complete financial inclusion. In this strategy, the objective was to open a bank account per household. With regard to usage, in India, only 14.4 per cent of individuals are using accounts for savings in the formal financial institutions and 6.4 per cent of individuals are borrowing from formal financial institutions in year 2014. In the context of above mentioned fact, it can be said that in India, there is a disparity between owning a bank account and actually using it for savings and borrowings.

Financial inclusion still remains as a challenge in India as it is the second largest populated nation in the world. The World Bank's survey results found that the account penetration in India increased from 35 per cent to 53 per cent between 2011 and 2014, but a huge chunk of 47 per cent of India's population is yet to be financially included. This means India has to progress considerably before universal financial inclusion becomes a reality (Demirguc-Kunt, 2017)[7]. The status of Indian financial inclusion is depicted as below Figure 1.



Source: World Bank‟s Global Findex Database

5. OBJECTIVES OF THE PAPER:

1. To ascertain various determinants of financial inclusion of tribal households
2. To analyze the differences among various categories of demographic characteristics of tribal households with regard to financial inclusion dimensions.

6. RESEARCH METHODOLOGY:

The present study used multi-stage cluster sampling procedure to select the primary sampling units.

Sample Size

The final sample size of tribal households chosen for measuring financial inclusion

To estimate the sample size (n) for tribal households the following formula had been considered for the research:

$$\text{Sample size (n)} = \frac{z^2*p*q*N)}{e^2(N-1)+z^2*p*q}$$

n= the sample size, N= Total tribal households, p = "sample proportion", q= 1-p,

e= the acceptable error

z= the value of standard variation at a given confidence interval, which means the z-score is 1.96

$e = z * \sqrt{\overline{pq/ni}}$ e., e=0.05

Here n denoted the sample size, p means the percentage of the population, desired margin of error at 5 percent and z is the confidence interval assumed 95 per cent confidence interval, which means the z-score is 1.96. The final a sample of 521 as per the calculation. This is round up to into 520 tribal households which represents nearly 0.25 percent represents of the total tribal households.

STASTICAL TECHNIQUES USED IN DATA ANALYSIS

Preliminary data analysis was completed using SPSS (version 20.0).and AMOS. Data obtained from the responses of interview schedule were analyzed. And the statistical techniques like descriptive statics, Chi square test, ANOVA and Duncan post hoc test and structural equation modeling (SEM) is used in analyzing the data in study (Byrne, 2010)[8]; Hair et al., 2013)[9].

7. ANALYSIS OF DATA:

Demographic characteristics of the sample households

A total of 520 respondents are considered for data analysis in this study. The descriptive data of the respondents' demographics are placed in Table-1. In the sample, the gender bifurcation of participants is 88.3 per cent male and 11.7 per cent women as head of the households. In terms of marital status, majority of the respondents are married (90.2 per cent)

36.5 per cent of the participants are between the age group of 36-45 years , followed by 34.4 per cent of respondents are between the age group of 26-35 years age and 10.2 per cent of participants are aged ≥ 55 years.

Table. 1 Demographic profile of the sample households

S. No.	Demographic	Classification	Frequency	Percentage
1.	Gender	Male	459	88.3
		Female	61	11.7
	Total		**520**	**100.0**
2.	Marital status	Married	469	90.2
		Divorced/separated	8	1.5
		Widowed	43	8.3
	Total		**520**	**100.0**
3.	Age (in years)	"Below 25 years"	17	3.3
		"26-35 years"	179	34.4

		"36-45 years"	190	36.5
		"46-55 years"	81	15.6
		"56 years or above"	53	10.2
	Total		**520**	**100.0**
4.	Level of Education	Illiterate	294	56.5
		Primary education(upto 5th)	60	11.5
		Secondary education(upto 10th)	94	18.1
		Intermediate/Diploma	30	5.8
		Higher education (UG, PG)	42	8.1
	Total		**520**	**100.0**
5.	Occupation	Driver	43	8.3
		Self-employee	25	4.8
		Government employee	54	10.4
		Private employee	13	2.5
		Agricultural farmer	262	50.4
		Daily wage labour	110	21.2
		Making of baskets	9	1.7
		Tailoring	4	0.8
	Total		**520**	**100.0**
6.	Income (Monthly in Rs.)	"Less than Rs.5,000"	182	35.0
		"Rs.5,000-Rs.10,000"	195	37.5
		"Rs.10,001-Rs.15,000"	68	13.1
		"Rs.15,001-Rs.20,000"	15	2.9
		"Rs.20,001 and above"	60	11.5
	Total		**520**	**100.0**

Source: primary data

Majority of the respondents (56.5 per cent) are illiterate, followed by secondary education (around 18 per cent) and finally around 5 per cent of the respondents are intermediate or diploma holders.

Majority of the respondents are agricultural farmers with around 50 per cent, followed by daily wage labour around 21 per cent. and 0.8 respondents are tailoring profession.

Income level, around 37 per cent of the respondents are earning Rs.5, 000 to Rs.10, 000 per month, followed by less than Rs. 5,000 per month are earning 35 per cent of the respondents. Finally 2.9 per cent of the participants are earring Rs.15, 001 - Rs.20, 000 per month.

Type of account

In the process of financial inclusion, the Reserve Bank of India (RBI) and financial institutions provision of different type of accounts through various kinds of financial institutions. Table -2 presents ownership of bank accounts such as savings account, no-frill account, Linking Self-help Groups (SHGs) account and the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) wages account.

Table -2 .**Type of account**

S. No	**Type of Account**	**Percentage of sample households**
1	SHGs Account	35.9%
2	MGNREGS Account	33.8%
3	Savings Account	24.6%
4	No-frill Account	5.7%

Source: primary data

Table -2 shows that majority (35.9 per cent) of tribal's operating accounts with SHGs, followed by 33.8 per cent of the tribal's who own MGNREGS accounts. Further, 24.6 per cent of participants are having savings account and 5.7 per cent of tribal's possession with no-frills accounts.

Type of formal financial institution

The type of formal financial body they are associated with needs to be established. Table -3 present the results of tribal's possession of an account with type of official financial bodies.

Table -3 **Type of financial institution**		
S. No	**Name of the financial institutions**	**Percentage**
1	Commercial Banks	78.8%
2	Regional Rural Banks	2.7%
3	Cooperative Banks	4.3%
4	Post Offices	18.1%

Source: primary data

Table -3 presents the tribal households have accounts in various types of financial institutions. It shows that aggregate 78.8 per cent of tribal habitants own an account in commercial banks, followed by around 18 per cent of the tribal households who manage an account with post offices.

Purpose of use SHGs loan

Table -4 evidence that household's priority for use of SHGs borrowings, an aggregate 38.9 per cent of tribal households use SHGs credit in agricultural activities, followed by 31.9 per cent of households use for purchase of household daily necessities. and around 4 per cent of household use for the purpose of invest in business. It clearly indicates that households are using borrowings make investment in cash generating activities such as agricultural activities and business purpose.

Table -4 **Purposes of SHGs borrowings**		
S. No	**Purpose**	**Percentage**
1	Agricultural activities	38.9%
2	Maintain house (for purchase of daily necessities)	31.9%
3	Repayment of old debts	13.0%
4	Children education purpose	7.1%
5	Purchase of households articles	4.9%
6	Business	4.2%

Source: primary data

Chi-square test for relationship between age of respondents and degree of financial inclusion

To test the relationship amongst the age of tribal's and degree of financial inclusiveness, the chi-square test was employed and results of person chi-square statistics are shown in Table -5.

H1: *There is no significant relationship between the age of respondents and degree of financial inclusion*

Table -5. **"Chi-square test for relationship between the age of respondents and the degree of financial inclusion"**					
Variables	**Pearson Chi-Square Test value**	***df***	***p*-Value**	**Decision on hypothesis**	**Outcome**
Age of respondents and the degree of financial inclusion	15.497	12	0.215	Accept the Null hypothesis	There is no significant relationship between age of respondents and the degree of financial Inclusion.

Source : primary Data analyzed

The value of the Pearson chi-square statistic is given in the Table -5., also presents the degree of freedom and the significance value. The value of the chi-square statistic is 15.497, degree of freedom 12 and the p-value is 0.215 is higher than the commonly rejected levels of 0.05, and then it was statistically found that accept the null hypothesis. In other words, the chi-square statistic results indicate an absence of significant relationship amongst age of respondents and degree of financial inclusiveness. The result is reported as given below.

In this case, there was no significant link amongst the age of tribal's and degree of financial inclusiveness where (χ^2 =15.497, d.f =12, p=0.215).

Chi-square test for relationship between the type of tribal community of respondents and the degree of financial inclusion

To test the association amongst the type of tribal community and degree of financial inclusiveness among tribal's, the chi-square test was employed and results of person chi- square statistics are shown in Table -7.

H2: *There is no significant relationship between type of tribal community of respondents and the degree of financial inclusion*

The value of the Pearson chi-square statistic is given in the Table -6. The value of the chi-square statistic is 29.460, degree of freedom 6 and the p-value is highly significant ($p<0.001$) is lesser than the commonly rejected levels of 0.05, then it was statistically found that the study failed to accept the null hypothesis. In other words, significant result indicates that there was a significant association amongst the type of tribal community of tribal's and degree of financial inclusion. The result is reported as given below.

In this case, there was a significant relationship at 5% significance level between the geographic location of respondents and degree of financial inclusion where (χ^2 =29.460, d.f =6, p=.001).

Table -6.**Chi-square test for relationship between type of tribal community of respondents and the degree of financial inclusion**

Variables	**Pearson Chi-Square Test value**	***df***	**p-Value**	**Decision on hypothesis**	**Outcome**
Type of tribal community of respondents and the degree of financial inclusion	29.460	6	0.001***	Reject the Null hypothesis	There is a significant relationship between type of tribal community of respondents and the degree of financial inclusion.

Source : primary Data analyzed

Structural Equation Modeling (SEM) analysis and testing of hypotheses

After assessment of measurement model, the next step is to analyze the hypothesized relationship using structural equation modeling (SEM). The structural model is a statistical analysis technique developed for analyzing the strength of hypothesized relationships among the multiples latent constructs in the proposed research model (Hair et al. 2013)[9]. The structural model can be evaluated based on set of fit indices to be examined where same measured fit statistics in CFA model assessment. The adequacy of structural model statistically adequacy of structural model statistically evidence that a good fit statistics generated a chi-square value of 1097.749 (df=65) and is found to be significant (p<0.001). The ratio of χ^2/df is 1.67, which is occurred below the threshold value level 3. All other model fit indices of Absolute fit measures (GFI= 0.969, AGFI=0.891, RMSEA= 0.036) and the Incremental fir measures includes (NFI=0.927, CFI=0.969, IFI=0.970 and TLI=0.967). All these fit indices values meet their minimum cut-off values as recommended by the previous studies (Byrne, 2010; Hair et al., 2013)[8,9] **table-7**

Table -7. The Standardized regression path coefficients and its significance level

Constructs Relationship	Code	Hypothesized	Standardized Regression Weight (β)	Standard Error (S.E)	Critical Ration (t-value)	p-value	Decision on Hypothesis
Physical Proximity	PPT	PPT → FIN	0.795	0.081	9.815	***	Accepted
Availability	AVA	AVA → FIN	0.825	0.082	10.061	***	Accepted
Ease of Access	ETA	ETA → FIN	0.837	0.077	10870	***	Accepted
Affordability	AFF	→ AFF FIN	0.830	0.084	9.881	***	Accepted
Usage	USG	USG → FIN	0.731	0.061	11.984	***	Accepted
Economic status	EST	→ FIN EST	0.828	0.082	10.097	***	Accepted
Social status	SST	→ FIN SST	0.813	0.079	10.291	***	Accepted

Note: *** denotes the p-value significant at 0.001

Source : primary Data analyzed

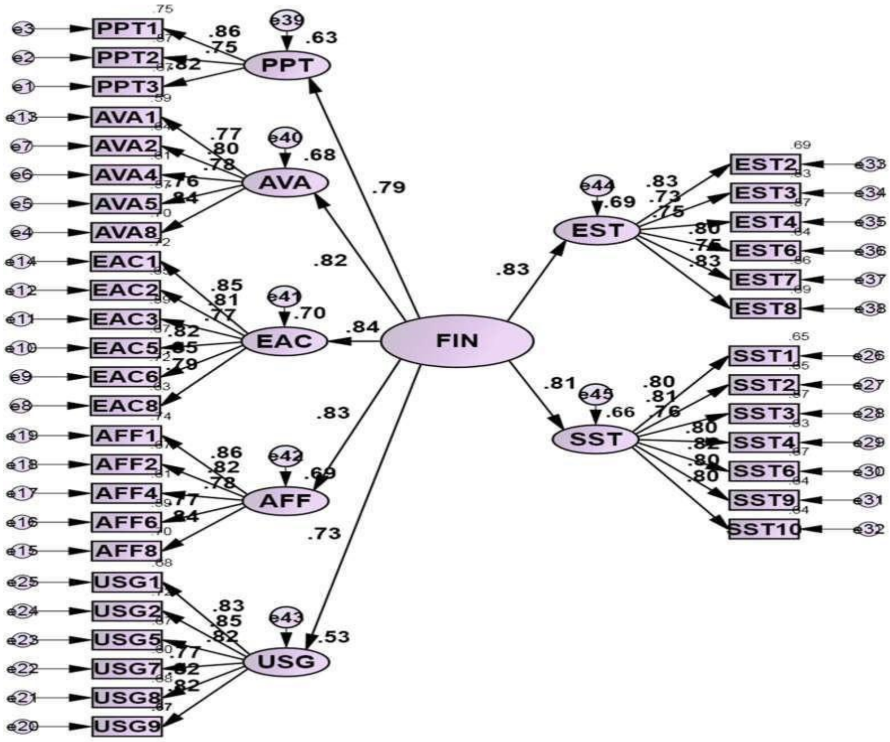


Figure -2: Standardized path coefficients for the structural model

Further the results show that financial inclusion has a significant influence on “socio- economic” status of tribal households, so that, H1 and H2 were accepted where statistically significant at p<0.001. Some of the past studies also highlight that financial inclusion has a significant impact on “socio-economic status”. A study by Swamy (2013)[10] stated that participation of SC/ST women in financial inclusion programmes have significantly contributed to the increase in household’s net income, livelihoods and asset creation which are leads to empowerment in the true sense and simultaneously affect on poverty alleviation. In addition, Kuri and Laha (2011)[11] examined that economic status of the households is found that significantly have correlated with the degree of financial inclusion and being a bank customer promotes the high degree of economic status of the households. Similarly, Maity (2016)[12] investigated that participation in financial inclusion by microfinance through self-help-groups (SHGs) have significantly influence on transformation of women form margin to mainstream and access SHG loans is have positive impact on socio-economic changes in the lives the women in rural scenario. Moreover, economic growth can be accelerated by improving the accessibility to financial amenities and limited access to financial amenities in the developing nations can be one of the main obstacles for income generation and social protection (Ghalib and Hailu, 2008)[13].

8. RESEARCH FINDINGS:

The major finds of the study have been observed from the data analysis and results through employed various statistical techniques.

Respondents Demographic Variables

The analysis of respondents’ demographic profile indicated that most of the sample considered were male (88.3 per cent). This result was surely not unexpected because major head of the families looking at the demographic of study area, it can be seen the most of male respondents were head of the house and few number of female were also head of the house (11.7 per cent). The results of the marital status revealed that there are more respondents were married (90.2 per cent), few of the female respondents were widowed (8.3 per cent) and (1.5 per cent) respondents were divorced /separated.

In addition, respondent’s age wise classification revealed that, age of 34.4 per cent of respondents in the research was found to be 26-35 years range and followed by

36.5 per cent of respondents who belong to 36-45 years range. This results suggest that most of the respondents were younger adults. Regarding respondents’ level of education, most of the participants were illiterate (56.5 per cent). With respect to occupation of the respondents, majority were agricultural farmers (50.4 per cent). In terms of households monthly income, majority of the respondents (37.5 per cent) had income between Rs. 5.000-Rs. 10,000.

Various select financial services

The findings of this section have been inspected for examine the level of awareness of various select financial services. The households were interviewed to know their awareness level is as under heads.

Type accounts

Under aware of various banks accounts, the results of the study finds that, majority of households were extremely aware of the SHG accounts 87.3 per cent while 86.5 per cent aware about MGNREGS account, followed by 71 per cent aware about no-frills accounts, next 54.4 per cent households aware on post office account and 52.5 per cent households aware of saving bank accounts.

Types of loans

With regard to different type of loans, majority of households were found that aware of the SHGs loan 93.7 per cent and 55.4 per cent of households aware of agricultural loan facility.

Other financial services

In the view of aware of various other financial services, viz aware of ATM card/debit card, aware of the filling bank Challan, aware of the check book, credit card awareness, awareness of different deposit schemes, aware of locker facility, aware of internet banking, mobile banking facility, aware of money transfer to other bank accounts and aware of post office savings, a very minimum number of households aware of all these financial services.

Type of account

The majority (35.9 per cent) of households' possess SHGs account, followed by 33.8 per cent of the households who have a MGNREGS account. Further, 24.6 per cent of the sample have savings account and 5.7 per cent of households operate no-frills accounts.

Financial institution

The majority (78.8 per cent) of the tribal households operates an account with commercial banks, while around 18 per cent of the tribal households operate a post-office account. About 4 per cent of the households hold account with cooperative banks and 2.7 per cent of households have account in regional rural banks.

Purpose of use SHGs loan

The study reveals that about 38.9 per cent of tribal households use SHGs credit in agricultural activities, followed by 31.9 per cent of households use for purchase of household daily necessities. Further, it finds that constitute 13 per cent of households use SHGs credit for the purpose of repayment of old debts. Around 7 per cent tribal households use for children education while, around 4 per cent of households use for purchase of households articles and around 4 per cent of household use for the purpose of invest in business. It clearly indicates that households are using borrowings make investment in cash generating activities such as agricultural activities and business purpose.

Measuring degree of financial inclusion

The followings are the findings of the degree of financial inclusiveness:

- Only 25.60 per cent of households are fallen under "fully included" financial services With ownership of given five core indicators of financial inclusion
- The household lack any one of the five core indicators and holds the other four, then those households come under the category of "majorly included" in financial services. Based on above results, 27.10 per cent of households fall under this category.
- The households are possessed any three among five core indicators and found that 43.60 Percent of households fall under "partially included" category.
- Finally, if a households were possessed any two of the five core indicators, then that Households comes under the "marginally included" in financial services. Based on the above results, only 3.70 per cent of households fall under this category. In addition, to find the association between various select demographic variables with degree of financial inclusiveness, the Pearson Chi-square test were employed. The following findings were observed through outcomes of the chi-square statistical test.
  - ✓ The outcomes of the Pearson chi-square statistical test finds that there was an association among various demographic variables viz. educational qualification, occupation, income level and geographic profile of the respondents with the degree of financial inclusion.
  - ✓ There was no correlation between age of the participants and the degree of financial inclusion.

Results of the Structural Equation Modeling (SEM)

The findings of structural equation modeling are as follows.

- The standardized regression path coefficients and its significance level depicted in Table-8. The results were found that among five dimensions of financial inclusion, ease of access has shown to be a strong predictor of financial inclusion, followed by availability, affordability, physical proximity and usage dimensions. It implies that ease of access is the most important determinant of financial inclusion to reach out to the unbanked masses in the society.
- Financial inclusion exhibits significant impact on "socio-economic status" of tribal households. The results of the study show a significant impact of financial inclusion households' economic status. Since, significant change in monthly consumption expenditure on necessary households articles, continuation of children's educations, ability save money.
- Furthermore, the results show that the financial inclusion has significant impact on social status of tribal households, more likely to decision making ability, enhance ware of various financial inclusion programs,

improvement in health practices, increased the social image, maintain public relations and, participation in various community festivals were significantly affected to the tribal households after engaged in various financial inclusion programs.

9. IMPLICATIONS FOR BANKERS AND POLICY MAKERS:

As the results of the study derives implication for bankers and policy makers to design strategies for enhancing accessibility to and usability of financial amenities for socially excluded groups in the society.

Implications for bankers

- The statements of 'The households perceive that easy to access the house loan' and 'The households opinion that avail the gold loan is very easy' mean scored very low, which states that the customers were unable to access credit facility because of difficulties in avail loan and documents requirement in loan processing. So, it suggested that banks should take measures for offer without collateral loans and ensuring ease of access the house loan and gold loan facilities to the customers.
- With regard to affordability cost of services, the low response was scored the following statements 'The households opinion that interest rate on gold loan is very affordable', ' The households think that usage charges for banking services is affordable rate' and, 'The households perceive that usage of charges for ATMs/Debit card is very affordable'. Hence, it is suggested to the bankers to make necessary decision regarding the affordable cost of services and it ensures the ability of the customers for make use of loans and other financial services.

Implications for policy makers

The findings of the study bringing some interesting implication for the policymakers while it has been considerable attention in improving financial inclusion density which concerns with socially excluded groups of the society.

- The SHG-Bank Linkage Programme a very big financial inclusion initiative in India offering without collateral loans to women groups and have been successfully implemented in the rural India. The current study was found that most of the beneficiaries of this scheme loan amount has been used for economic activities other than personal usage. So, it is suggested that the policymakers' need for greater regularity attention on the increase the size of the loan and it can spread over the entrepreneurial activities.
- As part of digital India programme, the policy makers should have attention for promoting cash less transactions and digital payments among the socially excluded groups. For which, the policy makers should develop policy on the enhancement of customer awareness on various mode of digital payments and ensure the more number of households participation into digital transitions so that, the transactions cost will be reduced.
- Even RBI initiating financial education for providing basic financial awareness on opening a bank account, savings, borrowings, usage of electronic remittances etc. But the current study found that a very minimum number of households aware of all these financial services of ATM card/debit card, aware of the filling bank Challan, aware of the check book, credit card awareness, awareness of different deposit schemes, aware of locker facility, aware of internet banking, mobile banking facility, aware of money transfer to other bank accounts and aware of post office savings. Hence, it is suggested that, the policy makers need for greater regularity attention on the improvement of customer awareness on various financial services and provide knowledge on various use of these services.

10. CONCLUSION:

The banking system in India had undergone many changes since liberalization of Indian banking. The objective was to overcome the massive challenge of providing accessibility and usability of financial amenities to the poor which could contribute towards achieving the government's goal of universal accessibility to financial amenities. Despite attempts of strengthening the financial inclusiveness deepening in India, accessibility to financial amenities failed to guarantee improved usage of those services. Accessibility to banking amenities is regarded as a valuable determining factor of monetary health for households more so for the disadvantaged sections of the society. Financial amenities help people to align revenue and spending arrangements over a period and insure them to take care of any financial shocks and to engage in income generating activities.

Further, the results of the study confirmed that the five dimensions namely, physical proximity, availability, easiness of accessibility, usability and affordability are the distinct constructs for financial inclusiveness. Each dimension has a significant relation with financial inclusion. Among these five dimensions, ease of access has the most important determinant of financial inclusion as compared to other four dimensions. These findings suggest that it is important for service providers to concentrate on improving the usability of various financial amenities to enhance the economic well- being of these tribal communities groups.

REFERENCES:

1. "Reserve Bank of India - Annual Policy Statement for the Year 2005-06", *Reserve Bank of India, https://en.wikipedia.org/wiki/Financial_inclusion*
2. Rangarajan, C. (2008). *Report of the Committee on Financial Inclusion*. Ministry of Finance, Government of India.
3. Gounasegaran, C., Kuriakose, F., & Iyer, D. K. (2013). *Financial inclusion: Progress so far, facts for you*. http://www.efymag.com/admin/issuepdf/25-29_Financial%20Inclusion_Sep-13.pdf retrieved on 03-04-2018
4. Kelkar, V. (2014). Financial inclusion for inclusive growth. *ASCI Journal of Management*, *39*(1), 55–68. https://asci.org.in/journal/Vol.39(2009-10)/39_1_Vijay%20Kelkar.pdf, retrieved on 03-04-2018
5. Philippe Aghion, Patrick Bolton; A Theory of Trickle-Down Growth and Development, *The Review of Economic Studies*, Volume 64, Issue 2, 1 April 1997, Pages 151–172, https://doi.org/10.2307/2971707
6. Uma, H. R., & Rupa, K. N. (2013). The role of SHGS in financial inclusion-A case study. *International Journal of Scientific and Research Publications*, *3*(6), 1–5. http://www.ijsrp.org/research-journal-0613.php, retrieved on 03-04-2018
7. Demirguc-Kunt, A., Klapper. L., Ansar, S., & Jagati, A. (2017). Making It Easier to Apply for a Bank Account: A Study of the Indian Market, World Bank Policy Research Working Paper 8205. World Bank Group, Washington DC
8. Byrne, B. M. (2010). Structural equation modeling with AMOS: Basic concepts, applications, and programming, 2/e, Routledge: New York, NY.
9. Hair, J. F. Jr, Black, W.C., Babin, B.J., Anderson, R. E., & Tatham, R.L. (2013). Multivariate data analysis, 7th ed., Upper Saddle River, New Jersey: Prentice-Hall.
10. Swamy, V. (2014). Financial inclusion, gender dimension, and economic impact on poor households”, *World development*, 56, 1-15. Retrieved on 01-04-2018 from: http://dx.doi.org/10.1016/j.worlddev.2013.10.019
11. Kuri, P. K., & Laha, A. (2011). Financial inclusion and human development in India: an inter-state analysis, *Indian Journal of Human Development*, *5*(1).
12. Maity, B. (2016). Microfinance: Women from the Margin to the Mainstream. *Journal of Rural Development*, 35 (1), 17-38.
13. Ghalib, A. K., Hailu, D., & Osorio, R. G. (2008). Banking the Un-Banked: Improving Access to Financial Services. *Policy Research Brief*, 70076-900.

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

PERCEPTIONS AND PREFERENCES OF CUSTOMERS TOWARDS E-BANKING SERVICES

[1]Dr. N. RAMANJANEYULU, [2]Dr. Ch. KRISHNUDU
[1]Asst. Professor, Anantha Lakshmi Institute of Tech & Sci, - A.P.
[2]Asst. Professor, SKIM, Sri Krishnadevaraya University- A.P.

Abstract*: Growth of information technology has brought in substantial changes in the way of banking transactions were done. But the response of the customers towards the technological developments in the banking sector is not up to satisfaction levels. The present study focuses on preferences of banking customers towards the various e-banking services. A sample of 680 respondent customers of State Bank of India (SBI) and Andhra Bank in Rayalaseema region of Andhra Pradesh are included in the study. The data is analysed through SPSS-21.0.*

Key Words: *Andhra Bank, E-banking services, Modern economy, Rayalaseema region, State Bank of India, Technology*

1. INTRODUCTION:

Demonetization represents much more than destabilization; critics argue that it has struck a body blow on economic activity in India. The decision – which was entirely unexpected – was announced on 8th November 2016. While the pros and cons of the measure still continue to be debated, the consensus of opinion appears to be that while the proponents of demonetization may have had good intentions, the suffering it has caused to millions of Indians is unwarranted. Since Rs500 and Rs1000 notes make up some 86% of the total currency in circulation in India, especially in the vast rural areas, one economist compared the pain to what individuals might experience if 86% of their blood was removed from their bodies. Amid the ongoing raging debate on the benefits of demonetisation, there's been a strong growth in digital payments and transactions in the months since the currency swap was announced on November 8, according to Reserve Bank of India data. Digital transactions have trebled and quadrupled in volume and value across various modes from wallets to cards and interbank transfers from a year earlier. Card transactions at point of sale (PoS) terminals at merchant locations have surged, reflecting a positive for the economy as more people start using their debit cards for payments rather than for withdrawing cash at ATMs. It is at this juncture to study the preferences of customers before and after demonetization.

2. REVIEW OF LITERATURE:

Shraddha Nigudge (2014), 'E-banking: services, importance in business, advantages, challenges and adoption in India', concluded that, In India, E-banking is in a nascent stage. No doubt Indian banks are making sincere efforts for the adoption of advanced technology and installation of e-delivery channels but still masses are wary of the concept. E-banks should create awareness among people about E-banking products and services. Customers should be made literate about the use of e-banking products and services. Indicators of the challenges of E-banking should be taken into account to reap the maximum benefits of E-banking in India.

R saluja (2012) The progress in e-banking in Indian banking industry is measured through various parameters such as Computerization of branches, Automated Teller Machines, Transactions through Retail Electronic Payment Methods etc. Statistical and mathematical tools such as simple growth rate, percentages and averages etc are used. The paper also highlights the challenges faced by Indian banks in adoption of technology and recommendations are made to tackle these challenges. The paper concludes that in years to come e- banking will not only be acceptable mode of banking but preferred mode of banking.

Yang and Fang (2004) Service quality is a significant instrument to measure customer satisfaction. There is a close relationship between customer satisfaction and service quality. Customer satisfaction can be given by providing quality of products and services to customers. And for accessing customer satisfaction SERVQUAL mode! is used to know the different services provided by banks and customer perceptions about the services. This tool is used to overcome problems with related to customer satisfaction and quality of services offered to customers.

2.1. NEED FOR THE STUDY

The review of various studies and literature on banking revealed that there are very few studies covered the concept of customer preferences and customer service in Banks largely at country and state level. But the researcher did not find any study covering the preferences of customers towards E-Banking services in select public sector banks particularly at one of the backward region of Andhra Pradesh i.e. Rayalseema Region. Technology places a pivotal and indispensible role in extending E- Banking services. It would be useful to study the preferences of customers towards E-Banking Services in an under developed drought prone region of Andhra Pradesh i.e., Rayalaseema Region.

2.2. OBJECTIVES OF THE STUDY

The specific objectives of the study are:

- To study the perceptions of customers before and after demonetization towards E- Banking Services
- To know the preferences of customers before and after demonetization towards E- Banking Services

3. RESEARCH METHODOLOGY

The present study is mainly based on primary data and is behavioural in nature. However, the secondary data is also made use of at some places of the study wherever it became necessary. The primary data is collected through a structured questionnaire. For the purpose of the sample two largest public sector banks i.e. SBI and Andhra Bank were selected for the study based on turnover of the banking industry. The sampling technique used is stratified sampling, constitutes four districts, divided into 14 revenue divisions. The sample size is 700 but only 680 questionnaires are received from the respondents. Thus, the rate of response is 97.1%. The primary data collected is analyzed through SPSS-21.0.

PERCEPTIONS AND PREFERENCES OF CUSTOMERS TOWARDS E-BANKING SERVICES

Table No. 1: Level of usage of ATM Banking services before and after demonetization

ATM banking				
Level of Usage	Before		After	
	No. of Respondents	Percentage to total Respondents	No. of Respondents	Percentage to total Respondents
Very high	97	14.3	137	20.1
High	99	14.6	112	16.5
Moderate	91	13.4	144	21.2
Low	180	26.5	140	20.6
Very low	213	31.3	147	21.6
Total	680	100.0	680	100.0

Source: Field Survey

It can be described from the Table No. 1 that, with regard to the level of usage of E-Banking services before and after demonetization and with regard to ATM banking, Before demonetization, 14.3% of the respondents rated it as very high, 14.6% of the respondents rated it as high, 13.4% of the respondents rated it as moderate, 26.5% of the respondents rated it as low and 31.3% of the respondents rated it as very low, After demonetization, 20.1% of the respondents rated it as very high, 16.5% of the respondents rated it as high, 21.2% of the respondents rated it as moderate, 20.6% of the respondents rated it as low and 21.6% of the respondents rated it as very low, The data reveals that there is a growth in terms of usage of ATM banking after demonetization when compared with the figures of before demonetization.

Table No. 2: Level of usage of E-Banking Debit Card services before and after demonetization

Debit cards				
Level of usage	Before		After	
	No. of Respondents	Percentage to total Respondents	No. of Respondents	Percentage to total Respondents
Very high	98	14.4	127	18.7
High	83	12.2	152	22.4
Moderate	89	13.1	131	19.3
Low	197	29.0	128	18.8
Very low	213	31.3	142	20.9
Total	680	100.0	680	100.0

Source: Field Survey

It can be explained from the Table No. 2 that, with regard to the level of usage of E-Banking services before and after demonetization and with regard to debit cards, Before demonetization, 14.4% of the respondents rated it as very high, 12.2% of the respondents rated it as high, 13.1% of the respondents rated it as moderate, 29.0% of the respondents rated it as low and 31.3% of the respondents rated it as very low, After demonetization, 18.7% of the respondents rated it as very high, 22.4% of the respondents rated it as high, 19.3% of the respondents rated it as moderate, 18.8% of the respondents rated it as low and 20.9% of the respondents rated it as very low, The data reveals that there is a growth in terms of usage of debit cards after demonetization when compared with the figures of before demonetization.

Table No. 3: Level of usage of Credit cards E-Banking services before and after demonetization

Credit cards				
Level of Usage	Before		After	
	No. of Respondents	Percentage to total Respondents	No. of Respondents	Percentage to total Respondents
Very high	77	14.6	171	32.5
High	73	13.8	150	28.5
Moderate	79	15.0	173	32.8
Low	144	27.3	18	3.4
Very low	153	29.0	14	2.6
Total	526	100.0	526	100.0

Source: Field Survey

It can be illustrated from the Table No. 3 that, with regard to the level of usage of E-Banking services before and after demonetization and with regard to credit cards, Before demonetization, 14.6% of the respondents rated it as very high, 13.8% of the respondents rated it as high, 15.0% of the respondents rated it as moderate, while 27.3% of the respondents rated it as low and 29.0% of the respondents rated it as very low, After demonetization, followed by 32.5% of the respondents rated it as very high, 28.5% of the respondents rated it as high, 32.8% of the respondents rated it as moderate, 3.4% of the respondents rated it as low and 2.6% of the respondents rated it as very low, The data reveals that there is a growth in terms of usage of credit cards after demonetization when compared with the figures of before demonetization.

Table No. 4: Level of usage of Telephone banking E-Banking services before and after demonetization

Telephone banking				
Level of Usage	Before		After	
	No. of Respondents	Percentage to total Respondents	No. of Respondents	Percentage to total Respondents
Very high	113	16.6	202	29.7
High	80	11.8	176	25.9
Moderate	83	12.2	206	30.3
Low	199	29.3	41	6.0
Very low	205	30.1	55	8.1
Total	680	100.0	680	100.0

Source: Field Survey

It can be inferred from the Table No. 4 that, with regard to the level of usage of E-Banking services before and after demonetization and with regard to telephone banking, Before demonetization, 16.6% of the respondents rated it as very high, 11.8% of the respondents rated it as high, 12.2% of the respondents rated it as moderate, 29.3% of the respondents rated it as low and 30.1% of the respondents rated it as very low, After demonetization, 29.7% of the respondents rated it as very high, 25.9% of the respondents rated it as high, 30.3% of the respondents rated it as moderate, 6.0% of the respondents rated it as low and 8.1% of the respondents rated it as very low, The data reveals that there is a growth in terms of usage of telephone banking after demonetization when compared with the figures of before demonetization.

Table No. 5: Level of usage of Mobile banking services before and after demonetization

Mobile banking				
Level of Usage	Before		After	
	No. of Respondents	Percentage to total Respondents	No. of Respondents	Percentage to total Respondents
Very high	86	12.6	205	30.1
High	102	15.0	177	26.0
Moderate	96	14.1	218	32.1
Low	207	30.4	37	5.4

Very low	189	27.8	43	6.3
Total	680	100.0	680	100.0

Source: Field Survey

It can be interpreted from the Table No. 5 that, with regard to the level of usage of E-Banking services before and after demonetization and with regard to mobile banking, Before demonetization, 12.6% of the respondents rated it as very high, 15.0% of the respondents rated it as high, while 14.1% of the respondents rated it as moderate, 30.4% of the respondents rated it as low and 27.8% of the respondents rated it as very low, After demonetization, followed by 30.1% of the respondents rated it as very high, 26.0% of the respondents rated it as high, 32.1% of the respondents rated it as moderate, 5.4% of the respondents rated it as low and 6.3% of the respondents rated it as very low, The data reveals that there is a growth in terms of usage of mobile banking after demonetization when compared with the figures of before demonetization.

Table No. 6: Level of usage of Internet banking services before and after demonetization

Level of Usage	Internet banking			
	Before		**After**	
	No. of Respondents	Percentage to total Respondents	No. of Respondents	Percentage to total Respondents
Very high	69	10.1	206	30.3
High	103	15.1	181	26.6
Moderate	97	14.3	207	30.4
Low	208	30.6	44	6.5
Very low	203	29.9	42	6.2
Total	680	100.0	680	100.0

Source: Field Survey

It can be observed from the Table No. 6 that, with regard to the level of usage of E-Banking services before and after demonetization and with regard to internet banking, Before demonetization, 10.1% of the respondents rated it as very high, 15.1% of the respondents rated it as high, 14.3% of the respondents rated it as moderate, 30.6% of the respondents rated it as low and 29.9% of the respondents rated it as very low, After demonetization, 30.3% of the respondents rated it as very high, 26.6% of the respondents rated it as high, 30.4% of the respondents rated it as moderate, 6.5% of the respondents rated it as low and 6.2% of the respondents rated it as very low, The data reveals that there is a growth in terms of usage of internet banking after demonetization when compared with the figures of before demonetization.

Table No. 7: Level of usage of Electronic Payment system before and after demonetization

Level of Usage	Electronic Payment system			
	Before		**After**	
	No. of Respondents	Percentage to total Respondents	No. of Respondents	Percentage to total Respondents
Very high	86	12.6	204	30.0
High	91	13.4	177	26.0
Moderate	93	13.7	214	31.5
Low	198	29.1	38	5.6
Very low	212	31.2	47	6.9
Total	680	100.0	680	100.0

Source: Field Survey

It can be visualized from the Table No. 7 that, with regard to the level of usage of E-Banking services before and after demonetization and with regard to electronic payment systems, Before demonetization, 12.6% of the respondents rated it as very high, 13.4% of the respondents rated it as high, 13.7% of the respondents rated it as moderate, 29.1% of the respondents rated it as low and 31.2% of the respondents rated it as very low, After demonetization, 30.0% of the respondents rated it as very high, 26.0% of the respondents rated it as high, 31.5% of the respondents rated it as moderate, 5.6% of the respondents rated it as low and 6.9% of the respondents rated it as very low, The data reveals that there is a growth in terms of usage of electronic payment systems after demonetization when compared with the figures of before demonetization.

4. FINDINGS OF THE STUDY

- The data reveals that there is a growth rate of about 5.8% (20.1%-14.3%) in terms of usage of ATM banking after demonetization when compared with the figures of before demonetization with regard to very high.
- It may be noted that there is a significant growth rate of 4.3% (18.7%-14.4%) in terms of usage of debit cards after demonetization when compared with the figures of before demonetization

- It is found that there is a growth in terms of usage of credit cards after demonetization when compared with the figures of before demonetization.
- It can be inferred that there is a growth in terms of usage of telephone banking by 13.1 percent after demonetization
- It can be interpreted with regard to the level of usage of mobile banking services there is a growth in terms of usage of mobile banking after demonetization
- The data reveals that there is a significant growth by 20.3% in terms of usage of internet banking after demonetization when compared with the figures of before demonetization.
- It can be understood from the Table No. 7 that, with regard to the level of usage of Electronic payment system after demonetization 30.0% of the respondents rated it as very high, followed by 26.0% of the respondents rated it as high, 31.5% of the respondents rated it as moderate, 5.6% of the respondents rated it as low and 6.9% of the respondents rated it as very low,

5. CONCLUSION:

A significant conclusion can be drawn from the study that there is a considerable growth in the Level of usage of ATM Banking services, Debit Card services, Credit cards services, Telephone banking services, Mobile banking services, Internet banking services and Electronic payment transfers after demonetization than the earlier.

REFERENCES:

1. Shraddha Nigudge,(2014), 'E-banking: services, importance in business, advantages, challenges and adoption in India', Asian Journal of Management Sciences 02 (03).
2. Roshan Lal and Rajni Saluja,(December 2012), 'E-Banking: The Indian Scenario', Asia Pacific Journal of Marketing and Management Review,.
3. Yang, .Z. and Fang. X.,(2004), "Online Service Quality Dimensions and Their Relationships with Satisfaction: A Content Analysis of Customer Reviews Of Securities Brokerage Services'". International Journal of Service Industry Management, Volume 15. Issue 3,.

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

RISING FRAUDS IN BANKING SECTOR

Dr. M. Satyavathi
Asst. Professor, Department of Commerce and Business Management, Kakatiya University, Warangal.

Abstract: *The Indian banking sector has experienced considerable growth and changes since liberalization of economy in 1991. In recent years, instances of financial fraud have regularly been reported in India. Although banking frauds in India have often been treated as cost of doing business, post liberalization the frequency, complexity and cost of banking frauds have increased manifold resulting in a very serious cause of concern for regulators, such as the Reserve Bank of India (RBI). Though the banking industry is generally well regulated and supervised, the sector suffers from its own set of challenges when it comes to ethical practices, financial distress and corporate governance. This study endeavors to cover issues such as banking frauds and mounting credit card debt, with a detailed analysis using secondary data (literature review and case approach), spanning across all players involved in reporting financial misconduct. The report touches upon the case of rising frauds Indian banks.*

Key words: *Banking sector, frauds, liberalization and financial misconduct.*

1. INTRODUCTION:

In recent years, instances of financial fraud have regularly been reported in India. Although banking frauds in India have often been treated as cost of doing business, post liberalization the frequency, complexity and cost of banking frauds have increased manifold resulting in a very serious cause of concern for regulators, such as the Reserve Bank of India (RBI). RBI, the regulator of banks in India, defines fraud as “A deliberate act of omission or commission by any person, carried out in the course of a banking transaction or in the books of accounts maintained manually or under computer system in banks, resulting into wrongful gain to any person for a temporary period or otherwise, with or without any monetary loss to the bank”. In the last three years, public sector banks (PSBs) in India have lost a total of Rs. 22,743 crore, on account of various banking frauds. With various measures initiated by the RBI, numbers of banking fraud cases have declined, but amount of money lost has increased in these years.Prima facie, an initial investigation in these cases has revealed involvement of not only midlevel employees, but also of the senior most management as was reflected in the case of Syndicate Bank and Indian Bank. This raises serious concern over the effectiveness of corporate governance at the highest echelons of these banks. In addition, there has been a rising trend of non-performing assets (NPAs), especially for the PSBs, thereby severely impacting their profitability. Several causes have been attributed to risky NPAs, including global and domestic slowdown, but there is some evidence of a relationship between frauds and NPAs as well.

2. REVIEW OF LITERATURE:

- In the paper, Frauds in the Indian Banking Industry, Charan Singh, RBI Chair Professor Economics & Social Science Indian Institute of Management Bangalore has observed that PSBs fare better than PVBs in terms of total number of bank frauds. However, the total amount involved is much higher in PSBs as compared to the private sector. This can be attributed to large size of loans which PSBs offer to customers.
- Mergers of giants in the banking industry gave birth to the concept of “too big to fail”, which eventually led to highly risky financial objectives and financial crisis of 2008. In response to the 2008 crisis, Dodd-Frank wall-street reform and consumer protection act (DFA) was enacted in 2010. DFA gave birth to various new agencies to help monitor and prevent fraudulent practices. Volcker rule, a part of DFA, banned banks from engaging in proprietary trading operations for profit.
- Indian banking system has remained plagued with growth in NPAs during recent years, which resulted in a vicious cycle affecting its sustainability. Chakrabarty (2013) noted in his speech that, while most numbers of frauds have been attributed to private and foreign banks, public sector banks have made the highest contribution towards the amount involved.
- Key findings in RBI (2014b) included the stress of asset quality and marginal capitalization faced by public sector banks, and various recommendations to address these issues. Rajan (2014) stressed on good

governance and more autonomy to be conferred to public sector banks to increase their competitiveness and to be able to raise money from markets easily. In response to the common perception that increasingly strict regulations will make business opportunities take a hit, Raju (2014) stated that, regulations do not seem to be a bar in functioning of banks after the crisis. Subbarao (2009) was of the opinion that without broad-based trust and presumption of honest behaviour, there wouldn't be a financial sector of the current scale and size. He called the emergence of a moral hazard problem in the banking system as privatization of profit and socialization of costs.

- To maintain uniformity in fraud reporting, frauds have been classified by RBI based on their types and provisions of the Indian penal code, and reporting guidelines have been set for those according to RBI (2014a and 2015a). Towards monitoring of frauds by the board of directors, a circular was issued as per RBI (2015b) to cooperative banks to set up a committee to oversee internal inspection and auditing, and plan on appropriate preventive actions, followed by review of efficacy of those actions. Impartial policy guidelines and whistle-blower policy are vital to empower employees to handle frauds. RBI also issued a circular and introduced the concept of red flagged account (RFA), based on the presence of early warning signals (EWS), into the current framework, for early detection and prevention of frauds.
- Gandhi (2014) discussed the prime causes of growing NPAs and recognized the absence of robust credit appraisal system, inefficient supervision post credit disbursal, and ineffective recovery mechanism as key barriers addressing those aspects.

2.1. OBJECTIVES OF THE STUDY:

- To study the concept of Fraud.
- To identify certain fraud cases in Banks.
- To understand the fraud preventive system.

3. RESEARCH METHODOLOGY:

The present paper is based on secondary data, gathered from books, journals ,news papers etc.

3.1. INDIAN BANKING SECTOR:

Banking sector is an integral part of any country's economy. Today banks has increased manifold. All most all the categories of people are availing the banking sector services, particularly with Prime Minister Jan Dhan Yojana every one is brought under banking services. Technology has made banking sector possible of providing banking services in our hands. Technology has also paved a way for the growth of banking fraud. If these frauds are not controlled it will lead to serious negative issues which will affect the public confidence.

Bank fraud is the use of potentially illegal means to obtain money, assets, or other property owned or held by a financial institution, or to obtain money from depositors by fraudulently posing as a bank or other financial institution. In many instances, bank fraud is a criminal offence. While the specific elements of particular banking fraud laws vary depending on jurisdictions, the term bank fraud applies to actions that employ a scheme or artifice, as opposed to bank robbery or theft. For this reason, bank fraud is sometimes considered a white-collar crime.

- **IDENTITY FRAUD:** Identity fraud is often a two-stage process where your personal details are stolen and then used for financial gain or other criminal activity. You might be left with debt, a poor credit rating or other legal implications as a result. Personal information such as your name, address, date of birth or bank account details can be obtained by criminals in a number of ways including phishing, hacking and document theft.
- **PHISHING:** This is when a criminal tricks you into handing over your personal information via email or phone.
- **HACKING:** By exploiting security weaknesses on your computer, mobile phone or network, criminals gain access to your information through social media sites or other websites you visit and share information on.
- **DOCUMENT THEFT:**Document theft is when criminals access your private information through unlocked mailboxes or personal documents that you've thrown away like utility bills, insurance renewals or health records. Indian Central Finance minister Arunjetly says Government will change down cheaters in view of Punjab National Bank fraud. Public sector banks delay action against nearly 100 corrupt officers. Syndicate bank fraud CBI books 5 banks officials 4 business men in Rs.1000 crore scam. All banks are now cautions about the trade finance part after the PNB fraud. Big Indian companies which have direct access to funding from foreign lenders and don't rely on interim guarantees aren't affected by the slow down. Punjab National Bank involved in fake letters of guarantee in having the impact of financial markets. Trade credit is getting tougher for smaller firms have hurt the rupee which is among Avia's worst performers.

4. FRESH CASES OF FINANCIAL FRAUD:

- CBI has registered a fresh case in which it had already booked retired PNB staffer Gokulnath Shetty and single-window-operator
- CBI registered a fraud against Delhi based jeweler. Dwarak Das Seth for an alleged fraud worth Rs.9.95 cr towards oriental Bank of Commerce. After billion dollar fraud by Nirav Modi in PNB.
- Delhi based business man Amit Singla & others defaulted a loan of 9.5 cr securing on the false representation by forgiving documents and its criminal misappropriation and use.
- Public servant CBI has filed two FIRS against under Chand Chundawal Senior branch manager of PNB.
  - (i) Chundawal depionted huge amounts of money related to government schemes into an a/c opened by him under a fictitious name Sugna Devi. In all, Chundawat siphoned off Rs 1.57 crore.
  - (ii) In the second case, Chundawat sanctioned and disbursed 26 Mudra loans — between September 2016 and March 2017 — in violation of rules and regulations, causing a loss of over Rs 62 lakh to the bank.

There is a multi fraud increase in cases of fraud recorded by banks in India in recent period. On may 2015 the RBI has set up a Central Fraud Registry to check growing bank fraud.

5. FRAUD DETECTION SYSTEM:

As per RBI data there has been a 100% increase in bank fraud over the years since Modi's government took office. The amount involved in bank fraud rose from Rs.10170crores in the fiscal year 2013-14 to Rs.19,361 crore in 2014-15 i.e nearly 100% .The fraud ranged from cheque alteration to fake loans ,debit /credit card fraud to cyber fraud. Maharashtra and West Bengal lead the way in bank fraud. These two states accounting for more than 50% of the total loss through fraud from Rs.2445 crore in 2013-14 to Rs.6115 crore in 2014-15: banks in West Bengal notched a six-fold increase in fraud, from Rs 773 crore to Rs 5,930 crores. The RBI has been able to close only 30% of these cases every year. Public sector banks appear to have borne the brunt of the fraud-spike, with the Punjab National Bank, which lost a sum of Rs 2,310 crore ($355 million), topping the list, followed by the Central Bank of India, where the lost amount stands at Rs 2,150 crore ($330 million), the data further reveal. Both banks recorded a fraud increase of more than 200% since 2012-13.

6. REASONS FOR FRAUDS IN WEST BENGAL

- Reporting of cases of fraud
- Increase in banking transaction

A through probe is needed to explain the sudden rise in banking fraud in West Bengal.

The fraud in PNB is phenomenal and could be other the figures are wrong or there were cases suppressed in earlier years but reported now.

Public sector banks have not shown any urgency to unravel the root causes of these fraud or to find the modus operandi of the fraudsters. The government should fast track these frauds because they involve direct cheating or siphoning of the public money.

6.1. PUBLIC-SECTOR BANKS HANDLE FRAUD BETTER THAN PRIVATE BANKS:

Despite a market share of 30%, private banks collectively account for around 40% of losses from bank fraud. India has 20 private banks26 public-sector banks and 30 foreign banks.A RBI circular issued in July said that when banks discovered fraud, they were to report cases to the Central Bureau of Investigation, the police or to the Serious Fraud Investigation Office. In some cases, bank staff were involved: 47 such cases of fraud, valued at Rs 177 crore, were detected during 2014-15, according to data submitted to Parliament. When staff are involved, bank have always tried to suppress fraud and categorise them as NPAs (to show they were business loses), alleged Utagi.

NPAs, the fig leaf behind which fraud hides, soared 23% from Rs 2,51,060 crore ($38 billion) in March 2014 to Rs 3,09,409 crore ($48 billion) in March 2015, according to a statement in Parliament this July by Minister Of State (Finance) Jayant Sinha. Frauds associated with online, ATM, credit card and debit card transactions in India increased in every quarter last year, with 40 percent of the cases occurring in the final quarter of the year, says Ravi Shankar Prasad, India's IT minister. For the full year, there were over 22,700 cases of fraud, according to the Reserve Bank of India. Following this finding, government and security leaders have been reviewing the financial sector's security posture as the nation moves toward a cashless economy.Although many security leaders say this level of fraud is relatively low considering the huge number of transactions, they say that fraud will escalate as attacks become more sophisticated unless appropriate security controls are deployed. "The rise [in fraud] is because of India's drive towards a cashless economy sans preparation by banking institutions for establishing the right security controls and increasing awareness," says banking consultant Dr. Onkar Nath , the former CISO of Central Bank. Security experts say Indian banks need to take a more agile risk management approach and make adequate security investments in real-time monitoring tools for better visibility.Commenting on the fraud report, Prasad says: "RBI and various ministries or departments of the government will review cyber security developments and threats on an ongoing basis and take measures necessary to strengthen cyber resilience." RBI has formed an interdisciplinary Standing Committee on Cyber security to review threats in existing and emerging technologies, study adoption of various security standards and protocols, interface with stakeholders and suggest appropriate policy interventions .Meanwhile, the government is reviewing the security posture of the banking industry and is evaluating the parameters to set up a Fin-CERT soon.

6.2. RISING FRAUD

RBI, in a statement to the ministry of electronics and information technology, or MeitY, noted that online transaction fraud for last year through Dec. 21 involved totalled over Rs. 16, 789 crore, which is a substantial increase compared to the previous year. Meanwhile, in its new Annual Fraud & Risk report 2017-18, Kroll, a corporate investigations and risk consulting firm, says India's corporations witnessed a significant increase in online fraud, with 89 percent of executives confirming their companies experienced at least one fraud in the past year, up from 68 percent in 2016. And consumer credit reporting agency Experian's most recent "Global Fraud and Identity Report," released Jan. 24, found that 72 percent of businesses globally say fraud is increasing. The report found that 76 percent of Indian businesses experienced the same or more online fraud losses in 2017 compared to 2016.

6.3. REASONS FOR SECURITY GAPS

Y. V. Ramana Murthy , GM and group CISO of State Bank of India, offers an assessment of the security challenge: "More platforms are included in the banking ecosystem; there's an increase in the surface area of attack. Besides, with the change of payment ecosystem, multiple parties are involved in every transaction resulting in greater vulnerabilities." Sriram Natarajan , COO and former chief risk officer at Quattro, a BPO organization, notes: "The biggest gap is the human one; most frauds occur due to social engineering and employees having a cavalier approach in sharing passwords/ PINs and other personal information.

Some key priorities for CISOs, Murthy says, include:

- Protecting the digital environment from unauthorized access/usage;
- Ensuring protection of data across the digital ecosystem at various stages of the data life cycle;
- Guarding against privacy breaches resulting from internal or external activity;
- Adhering to statutory requirements including technology laws, sectoral laws and regulations;
- Minimizing the risk of disruptions in operations or unavailability of services due to high dependency on tightly coupled technology.

Banks must focus on training more information security professionals and making sure they are qualified to report to the board of directors about security's role, Nath says. Issued guidelines requiring banks to have a board-approved cyber security policy, a cyber crisis management plan, a gap assessment, robust vendor risk management and reporting of unusual cyber security incidents within two to six hours. But some security experts contend banks have made relatively little progress on boosting security. They point out, for example, that too many banks still rely on passwords as the top form of authentication. Experian's report, however, found that about 87 per cent of Indian enterprises are interested in more advanced security measures and authentication. Natarajan says CISOs must focus on technologies that improve both detection of anomalies and access control. Organizations should develop advanced preventive control mechanisms and invest significantly in breach detection capabilities because cyber attackers are becoming more sophisticated. "A more agile cyber risk management approach may enable ecosystem participants to harness the ongoing digital revolution to their advantage," Employee fraud is a significant problem faced by organizations of all types, sizes, locations and industries. While we would all like to believe our employees are loyal and working for the benefit of the organization (and most of them probably are), there are still many reasons why your employees may commit fraud and several ways in which they might do it. According to the 2014 Report to the Nation on Occupational Fraud and Abuse (copyright 2014 by the Association of Certified Fraud Examiners, Inc.), research shows that the typical organization loses 5% of its annual revenue each year due to employee fraud. Prevention and detection are crucial to reducing this loss. Every organization should have a plan in place as preventing fraud is much easier than recovering your losses after a fraud has been committed.

6.4. TYPES OF FRAUDS

Fraud comes in many forms but can be broken down into three categories: asset misappropriation, corruption and financial statement fraud. Asset misappropriation, although least costly, made up 90% of all fraud cases studied. These are schemes in which an employee steals or exploits its organization’s resources. Examples of asset misappropriation are stealing cash before or after it’s been recorded, making a fictitious expense reimbursement claim and/or stealing non-cash assets of the organization Employee fraud is a significant problem faced by organizations of all types, sizes, locations and industries. While we would all like to believe our employees are loyal and working for the benefit of the organization (and most of them probably are), there are still many reasons why your employees may commit fraud and several ways in which they might do it. According to the 2014 Report to the Nation on Occupational Fraud and Abuse (copyright 2014 by the Association of Certified Fraud Examiners, Inc.), research shows that the typical organization loses 5% of its annual revenue each year due to employee fraud. Prevention and detection are crucial to reducing this loss. Every organization should have a plan in place as preventing fraud is much easier than recovering your losses after a fraud has been committed. Financial statement fraud comprised less than five percent of cases but caused the most median loss. These are schemes that involve omitting or intentionally misstating information in the company's financial reports. This can be in the form of fictitious revenues, hidden liabilities or inflated assets. Corruption fell in the middle and made up less than one-third of cases. Corruption schemes happen when employees use their influence in business transactions for their own benefit while violating their duty to the employer. Examples of corruption are bribery, extortion and conflict of interest.

7. FRAUD PREVENTION

It is vital to an organization, large or small, to have a fraud prevention plan in place. The fraud cases studied in the ACFE 2014 Report revealed that the fraudulent activities studied lasted an average of 18 months before being detected. Imagine the type of loss your company could suffer with an employee committing fraud for a year and a half. Luckily, there are ways you can minimize fraud occurrences by implementing different procedures and controls.

- **KNOW YOUR EMPLOYEES;** Fraud perpetrators often display behavioral traits that can indicate the intention to commit fraud. Observing and listening to employees can help you identify potential fraud risk. It is important for management to be involved with their employees and take time to get to know them. Often, an attitude change can clue you in to a risk. This can also reveal internal issues that need to be addressed. For example, if an employee feels a lack of appreciation from the business owner or anger at their boss, this could lead him or her to commit fraud as a way of revenge. Any attitude change should cause you to pay close attention to that employee. This may not only minimize a loss from fraud, but can make the organization a better, more efficient place with happier employees. Listening to employees may also reveal other clues. Consider an employee who has worked for your company for 15 years that is now working 65 hours a week instead of 40 because two co-workers were laid off. A discussion with the employee reveals that in addition to his new, heavier workload, his brother lost his job and his family has moved into the employee's house. This could be a signal of a potential fraud risk. Very often and unfortunately, it's the employee you least expect that commits the crime. It is imperative to know your employees and engage them in conversation.
- **MAKE EMPLOYEES AWARE/SET UP REPORTING SYSTEM:** Awareness affects all employees. Everyone within the organization should be aware of the fraud risk policy including types of fraud and the consequences associated with them. Those who are planning to commit fraud will know that management is watching and will hopefully be deterred by this. Honest employees who are not tempted to commit fraud will also be made aware of possible signs of fraud or theft. These employees are assets in the fight against fraud. According to the ACFE 2014 Report, most occupational fraud (over 40%) is detected because of a tip. While most tips come from employees of the organization, other important sources of tips are customers, vendors, competitors and acquaintances of the fraudster. Since many employees are hesitant to report incidents to their employers, consider setting up an anonymous reporting system. Employees can report fraudulent activity through a website keeping their identity safe or by using a tip hotline.
- **IMPLEMENT INTERNAL CONTROLS:** Internal controls are the plans and/or programs implemented to safeguard your company's assets, ensure the integrity of its accounting records, and deter and detect fraud and theft. Segregation of duties is an important component of internal control that can reduce the risk of fraud from occurring. For example, a retail store has one cash register employee, one salesperson, and one manager. The cash and check register receipts should be tallied by one employee while another prepares the deposit slip and the third brings the deposit to the bank. This can help to reveal any discrepancies in the collections. Documentation is another internal control that can help reduce fraud. Consider the example above; if sales receipts and preparation of the bank deposit are documented in the books, the business owner can look at the documentation daily or weekly to verify that the receipts were deposited into the bank. In addition, make sure all checks, purchase orders and invoices are numbered consecutively. Use "for deposit only" stamps on all incoming checks, require two signatures on checks above a specified dollar amount and avoid using a signature stamp. Also, be alert to new vendors as billing-scheme embezzler's setup and make payments to fictitious vendors, usually mailed to a P.O. Box. Internal control programs should be monitored and revised on a consistent basis to ensure they are effective and current with technological and other advances. If you do not have an internal control process or fraud prevention program in place, then you should hire a professional with experience in this area. An expert will analyze the company's policies and procedures, recommend appropriate programs and assist with implementation.
- **MONITOR VACATION BALANCES:** You might be impressed by the employees who haven't missed a day of work in years. While these may sound like loyal employees, it could be a sign that

these employees have something to hide and are worried that someone will detect their fraud if they were out of the office for a period of time. It is also a good idea to rotate employees to various jobs within a company. This may also reveal fraudulent activity as it allows a second employee to review the activities of the first.

- **HIRE EXPERTS:** Certified Fraud Examiners (CFE), Certified Public Accountants (CPA) and CPAs who are Certified in Financial Forensics (CFF) can help you in establishing antifraud policies and procedures. These professionals can provide a wide range of services from complete internal control audits and forensic analysis to general and basic consultations.
- **LIVE THE CORPORATE CULTURE:** A positive work environment can prevent employee fraud and theft. There should be a clear organizational structure, written policies and procedures and fair employment practices. An open-door policy can also provide a great fraud prevention system as it gives employees open lines of communication with management. Business owners and senior management should lead by example and hold every employee accountable for their actions, regardless of position.

7.1. FRAUD DETECTION:

In addition to prevention strategies, certain detection methods should be taken place and make them visible to the employees. According to Managing the Business Risk of Fraud: A Practical Guide, published by Association of Certified Fraud Examiners (ACFE), the visibility of these controls acts as one of the best deterrents to fraudulent behavior. It is important to continuously monitor and update your fraud detection strategies to ensure they are effective. Detection plans usually occur during the regularly scheduled business day. These plans take external information into consideration to link with internal data. The results of your fraud detection plans should enhance your prevention controls. It is important to document your fraud detection strategies including the individuals or teams responsible for each task. Once the final fraud detection plan has been finalized, all employees should be made aware of the plan and how it will be implemented. Communicating this to employees is a prevention method in itself. Knowing the company is watching and will take disciplinary action can hinder employees' plans to commit fraud.

8. CONCLUSION:

Those who are willing to commit fraud do not discriminate. It can happen in large or small companies across various industries and geographic locations. Occupational fraud can result in huge financial loss, legal costs, and ruined reputations that can ultimately lead to the downfall of an organization. Having the proper plans in place can significantly reduce fraudulent activities from occurring or cut losses if a fraud already occurred. Making the company policy known to employees is one of the best ways to deter fraudulent behavior. Following through with the policy and enforcing the noted steps and consequences when someone is caught is crucial to preventing fraud. The cost of trying to prevent fraud is less expensive to a business than the cost of the fraud that gets committed.

It is observed that PSBs fare better than PVBs in terms of total number of bank frauds. However, the total amount involved is much higher in PSBs as compared to the private sector. This can be attributed to large size of loans which PSBs offer to customers. Credit related frauds have the maximum impact in all the banking frauds in India because of the high amount involved and the cumbersome process of fraud detection followed by CVC.

The frauds may be primarily due to lack of adequate supervision of top management, faulty incentive mechanism in place for employees; collusion between the staff, corporate borrowers and third party agencies; weak regulatory system; lack of appropriate tools and technologies in place to detect early warning signals of a fraud; lack of awareness of bank employees and customers; and lack of coordination among different banks across India and abroad. The delays in legal procedures for reporting, and various loopholes in system have been considered some of the major reasons of frauds and NPAs.

REFERENCES:

1. Carney, m. (2014), "inclusive capitalism: creating a sense of the systemic", speech given by mark carney, governor of the bank of england at the conference on inclusive capitalism, london 27 may 2014.
2. Cbi (2014), "corporate frauds-risk & prevention under changing paradigm", address by ranjit sinha, director, central bureau of investigation on may 13, 2014.
3. Chakrabarty, k.c (2013), "frauds in the banking sector: causes, cures and concerns", inaugural address by dr. k. c. chakrabarty , deputy governor, reserve bank of India on july 26, 2013 during the national conference on financial fraud organized by assocham at new delhi. deloitte (2014),
4. Business Standard – newspapers.

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

JOB SATISFACTION OF WOMEN EMPLOYEES IN PRIVATE SECTOR BANKS - A STUDY

AMGOTH VEERANNA,
Research Scholar, Department of Social Work, Osmania University, Hyderabad,

Abstract: *In this era of Globalisation and competitive world, any organization success depends on its human resource. Banking sector plays a vital role for overall development of different industries. India is in the way of its development and banks as financial institutions have significant contribution in the development process of the country. A number of private and public banks are operating in this country where a mentionable number of female employees are working side by side of male employees and the number is growing day by day. Employers of banks are attracting them by providing competitive and attractive remuneration package and good working environment. But the job satisfaction levels of female employees are yet to be measured. The productivity of service oriented firms depends on the employees - usually treated as main force, which is again affected by their satisfaction or dissatisfaction level. The aim of this study is to evaluate the level of job satisfaction of the Women employees of Private Sector Banks.The study shows that Job preference, Cooperation among Co-workers, Working Environment, Working Facilities, Salary Satisfaction, Increment Satisfaction, Welfare Facilities, other facilities, Performance Appraisal System, Behavior of boss, Career Development organism, and Promotion system significantly influence job satisfaction of employees. The study indicates a positive sign regarding overall job satisfaction of employees of the bank. In such situation, job satisfaction of bank officers becomes an important issue that has to be taken care of in order to achieve ultimate goals of the banking sector.*

Keywords: *Job satisfaction, Private Banks, Women Employees, and Satisfaction Level.*

1. INTRODUCTION:

Liberalization of the Indian economy has created tremendous employment opportunities for our country, especially for women with talent and skills. The gradual ascendancy of women in the power hierarchy , overcoming workplace discrimination in the corporate sector displays not the change in the outlook and the perception of the management , but the strenuous efforts made by dynamic women in that direction. Right from the beginning, the banking sector has acted as a “facilitator” of women work culture that has made women folk monopolizes the field. More and more women across the country have chosen bank jobs as their preferred destination. Nationalization of banks in India has tapped the growing women power in the work force diversity. The advent of private banks added the feather to the intake of women in the banking scenario. Women have achieved great heights in the banks with designations like CEO, director, manager etc. The increase in the composition of women in the workforce necessitates the study of the women employees in banks

2. STATEMENT OF THE PROBLEM:

Banking industry in India is engaged in providing various types of financial services to the customers. The service rendered by the Public Sector Banks will be more efficient if the employees of the banks are a satisfied lot. Satisfied employees provide better service to its customers as well as to the organization. The gradual pre-eminence of women in the power hierarchy , overcoming workplace discrimination in the corporate sector displays not the change in the outlook and the perception of the management , but the strenuous efforts made by dynamic women in that direction. In Indian society, women’s role traditionally has been of child bearing and home making while men performed the activities concerned with relations of the group to external situations including goal achievement. Now the whole pattern of male –female roles are undergoing a considerable change. Women employees have gradually started to dominate the work force recently especially in banks. So, the researcher has undertaken the research on the topic “Job Satisfaction of Women Employees in Private Sector Banks in Warangal District”.

According to Hoppock: Job satisfaction is the combination of psychological, Physiological and environmental circumstances that cause a person to truthfully say “I am satisfied with my job”. According to Locke Job satisfaction as on "pleasurable or positive emotional state result from the appraisal of one's job on job experience.

3. DETERMINANTS OF JOB SATISFACTION:
The various factors influencing job satisfaction may be classified into two categories:
3.1 .Environmental factors and,
3.2. Personal factors.

3. 1. ENVIRONMENTAL FACTORS:

- **Job Content:** Herzberg suggested that job content in terms of achievement, recognition Advancement, responsibility and the work itself tend to provide satisfaction but their absence does not cause dissatisfaction.
- **Occupational level:** The higher the level of job in organizational hierarchy the greater the satisfaction of the individual. This is because positions at higher levels are generally better paid.
- **Pay and Promotion:** All other things being equal higher pay and better opportunities for promotion lead to higher job satisfaction.
- **Work group:** Man is a social animal and likes to be associated with other's interactions in the work group help to satisfy social and psychological needs and therefore, isolated workers tend to be dissatisfied.
- **Supervision:** Considered supervision tends to improve job satisfaction of workers a considerate supervision takes personal interest in his subordinates and allows them to participate in the decision making process.

3.2. PERSONAL FACTOR:
Personal life exercises a significant influence on job satisfaction the main elements of personal life are given below.

- **Age:** Some research studies reveal a positive correlation between age and job satisfaction. Workers in the advanced age group ten to more satisfied probably because they have adjusted with their job conditions.
- **Sex:** One study revelled women are less satisfied than men due to favor job opportunities for females. But female worker may be more satisfied due to their lower occupational aspirations.
- **Educational level:** Generally more educated employees tend to be less satisfied with their jobs probable due to their higher job aspirations.
- **Marital status:** the general impression is that married employees and employees having more dependents tend to be more satisfied to their greater responsibilities. But such employees may be more satisfied because jobs more than unmarried workers.
- **Experience:** Job satisfaction tends to increase with increasing years of experience.

4. REVIEW OF LITERATURE:
Job satisfaction has been widely studied over the years:
McNeely (1984) found that women are intrinsically more satisfied than men.
Greenberg and Baron (1993) reported that employed women, in general, seem to be less satisfied with their work than their counterpart men.
Ayesha Tabassum, TasnuvaRahman and Kursia Jahan (2011) studied the work life of employees of private commercial banks in Bangladesh and found that no initiative was taken to identify whether there is any significant difference among the male and female employees of the private commercial banks in Bangladesh. Thus, the study aimed to make a comparative learning of the existing QWL between the males and females of the private commercial banks through quantitative survey on 128 male and 64 female employees. The study revealed that a significant difference exists between male and female employees QWL and in the following factors of QWL; adequate and fair compensation, flexible work schedule and job assignment, attention to job design, and employee relations.
Mohajan, Rajib Datta's (2012) was to determine that the morale and job satisfaction plays a vital role in overall performance of the employees in the workplace? The study concluded that social status, supportive colleagues and feeling secure about the job were the top three best reasons for working in the banks. It suggested that pay, decision making authority, and promotional policy were the three top priorities for improving the work environment.
Lalita Kumari (2012) was to find about the employee's perception of their work life balance policies and practices in the public sector banks. Quota sampling method was followed. Survey was conducted and data was analyzed on the basis of responses provided by 350 respondents. The findings of the study emphasized that each of the WLB factors on its own is a salient predictor of job satisfaction and there is a significant gap among the female and male respondents with job satisfaction with respect to various factors of WLB. The positive correlation indicates that job satisfaction is an important indicator of WLB. The result of study may have practical significance for human resource managers of especially banks to improve staff commitment and productivity along with designing their recruitment and retention policies.
Raj Kamal, Debashish Sengupta (2008-09) studies that the success of the bank to a large extent depends upon the coordination, synchronization and cooperation of the Bank Officers with these two very divergent entities. Through this research study an attempt has been made not only to ascertain the degree of overall job satisfaction prevailing among the Bank Officers but also to elicit officer's views on the different factors contributing to their job satisfaction,

in the light of current realities. It is concluded that with the change of satisfaction determinants, level of job satisfaction also varies. It is also observed that as a person ages, his job satisfaction shows an increasing trend. With age, spiritualism of the person increases, but his alternatives for change decreases.

K. R. Sowmya and N. Panchanatham (2011) studied that the term job satisfaction has been conceptualized in many ways. Job satisfaction focuses on all the feelings that an individual has about his/her job. It has been assumed by organizational behaviour research that individuals who express high satisfaction in their jobs are likely to be more productive, have higher involvement and are less likely to resign than employees with less satisfaction. However the researcher has studied job satisfaction of employees in new private sector and select public sector banks specifically in the banking sector of the main metropolitan city Chennai. The researcher has done a factor analysis using principle component method to find out the different factors that affect the job satisfaction of banking sectors employees. The study concluded that the employees have a significant inclination towards optimistic supervisory behaviour and pleasant organizational setup and suggested that Employees must be cared for and counselled in order to increase their satisfaction level in the organization based on the aspects identified by the organizations.

V. Varatharaj, S. Vasantha (2012) was to study the work life balance of working women in service sector. Work life balance entails attaining equilibrium between professional work and other activities, so that it reduces friction between official and domestic life. Work life balance enhances efficiency and thus, the productivity of an employee increases. It enhances satisfaction, in both the professional and personal lives. This paper attempts to indentify the various factor which helps to maintain work life balance among women employees in service sector. The findings of the study revealed that the majority of the women Employees feel comfortable in their work place irrespective of their trivial personal and work place irritants.

4.1. OBJECTIVES OF THE STUDY:

The objectives of the study are as below:

- To analyze the Socio – Demographic characteristics of the respondents.
- To study the present job satisfaction level of women employees in Private Sector Bank.

5. METHODOLOGY:

For this study both Primary Data and Secondary Data was used.

Primary Data - Questionnaire is used to collect data from employees directly questionnaire consists of socio – demographic characters of the respondents and certain factors that influencing level of job satisfaction among women employees.

Secondary Data - Secondary Data were collected from various published and unpublished sources such as bank manuals and documents magazines, journals and Internet.

Sample size - The Sample size of the study is 40. For the purpose of the study, the researcher selected the branches of Private sector banks on the basis of random and stratified technique. Random and stratified sampling is the least expensive and least time consuming of all sampling techniques. The sampling units are accessible, easy to measure and cooperative. The researcher personally contacted 40 women employees in Private sector banks in the Warangal region on the basis of convenience. They were appraised about the purpose of the study and request was made to them to fill up the questionnaire with correct and unbiased information.

6. DATA ANALYSIS AND INTERPRETATION:

The data so obtained was subjected to analysis and interpretation and the findings drawn are as follows:

Data analysis and Interpretation:

Table 1: Classification of Respondents by their Age:

S.No	Age	No of Respondents
1	20-30	27
2	30-40	09
3	40-50	04
Total		40

Source: Primary Data

From the above Table 1 shows that the 27 of the respondent comes under the 20-30 age groups. 09 of the respondent comes under the 30 to 40 Age group, 04 of the respondent comes under the 40-50 age group.

Table 2: Classification of Respondents by their Educational Qualification:

S.No	Educational Qualification	No of Respondents
1	Degree	29
2	Professional	07
3	Other	04
Total		40

Source: Primary Data

As far as educational qualification nearly 29 of the respondent belongs to degree holders, 07 of the respondent belong to professional course and remaining 04 of the respondents to others.

Table 3: Classification of Respondents by their Area of living:

S.No	Area of living	No of Respondents
1	Semi Urban	10
2	Urban	14
3	Rural	16
Total		40

Source: Primary Data

From the above Table 3 clear that 16 of the respondents are rural area and 14 of the respondents are urban area and 10 of the respondents are semi urban areas.

Table 4: Classification of Respondents by their Marital Status:

S.No	Marital Status	No of Respondents
1	Unmarried	11
2	Married	29
Total		40

Source: Primary Data.

From the above Table 4 reveals that the 29 of the respondents are married; 11 of the respondents are unmarried.

Table 5: Classification of Respondents by their Type of the family:

S.No	Type of the family	No of Respondents
1	Nuclear family	33
2	Joint family	07
Total		40

Source: Primary Data.

Regarding family types 33 of the respondent belongs to nuclear family and remaining 07 of the respondents belongs to joint family.

Table 6: Classification of Respondents by their Total number of members earning in their family:

S. No	Total number of members earning in their family	No of Respondents
1	One	06
2	Two	19
3	Three	11
4	above four member	04
Total		40

Source: Primary Data.

It is observed from the above Table 6 that, 19 of respondents belongs to two members earning in their family, 11 of the respondent belongs to three members earning in their family, 06 of the respondent belongs to one member earning in their family, and, 04 of the respondent belongs to above four members earning in their family.

Table 7: Classification of Respondents by their Name of the Bank:

S.No	Name of the Bank No of Respondents	No of Respondents
1	ICICI Bank Ltd	16
2	HDFC Bank	12
3	Kotak Mahindra	08
4	South Indian Bank	04
Total		40

Source: Primary Data.

From the above Table 7 of the researcher found that, 12 of the respondent belongs to ICICI Bank Ltd, 12 of the respondent belongs to HDFC Bank, 12 of the respondent belongs to Kotak Mahindra, 04 of the respondent belong to South Indian Bank.

Table 8: Classification of Respondents by their Experience:

S.No	Experience	No of Respondents
1	Below 2 years	09
2	2 to 4	19
3	4 to 6	07
4	6 to 10	05

Total	40

Source: Primary Data.

It is found that, 19 of the respondent belongs to 02- 04 years of experience, 09 of the respondent belongs to below 02 years, and 07 of the respondent belongs to 04 – 06 years, and 07 of the respondent belongs to 06 - 10 years.

Table 9: Classification of Respondents by their Monthly Income:

S.No	Monthly Income	No of Respondents
1	15000 to 20000	09
2	20000 to 25000	13
3	25000 to 30000	11
4	30000 Above	07
Total		40

Source: Primary Data.

With regard to monthly income 13 of them earn 20000-25000, 11 of them earn 25000-30000, 09 of them earn 15000-20000 and 07of them earn above 30000.

Table 10: Getting Promotion on the basis of Experience & Qualification:

S.No	Experience& Qualification	No of Respondents
1	Strongly Agree	13
2	Agree	17
3	Undecided	06
4	Disagree	04
Total		40

Source: Primary Data.

From the above Table 10 depict that 17 of the respondent are strongly agree, 13 of the respondent are agree, 06 of the respondent are Undecided and 04 of the respondent are disagree.

Table 11: Classification of Respondents by their Choice of choosing bank jobs:

S.No	Choice of choosing bank jobs	No of Respondents
1	Because of Good working condition	13
2	Because of Better Status	08
3	Because of Safety	19
Total		40

Source: Primary Data.

The above table 11 reveals that the 19 of the respondents are because of safety to working Bank jobs, 13 of the respondents are because of Good working conditions to working bank jobs and 08 of the respondents are because of better status to working bank jobs.

Table 12: Classification of Respondents by their level of Job Satisfaction:

S.No	Job Satisfaction	No of Respondents
1	Highly Satisfied	13
2	Satisfied	19
3	Undecided	08
Total		40

Source: Primary Data.

The above table 12 reveals that 19 of the respondents are satisfied, 13 of the respondents are highly satisfied and 08 of the respondents are Undecided.

6.1. FINDINGS:

- Most of the respondents are in the age group of (20-30) years.
- Majority of the respondents have a degree as their qualification.
- 40% (16) of the respondents come under rural area.
- Majority of the respondents comes under the category of married.
- 82.5% of the respondents come under nuclear family.
- Majority of the respondents working under ICICI Bank Ltd.
- Majority of the working employees are belongs to two members earning in their family.
- Majority of the respondents have 2-4 years experience.
- 62% of the respondents are earning the monthly income of Rs.20000-25000.
- Most of the respondents have agreed to get for promotion as per their Qualification and Experience.
- Most of the women employees are well choosing the bank job because of safety.

- Most of the women employees satisfied with the banking jobs.

6.2. SUGGESTION:

- It is suggested that the level of job satisfaction of women employees in the bank job should be included.
- To improve the monetary and non-monitory benefits to the women employees.
- Promotion should be given according to their experience besides designation.
- The working hours should be reduced by providing extra privileges and voluntary retirement schemes should be implemented like private sector banks.

7. CONCLUSION:

It is concluded that private sector banks are providing good working condition atmosphere and attractive salary package to retain its efficient employees. Private sector banks are doing their best to increase the job satisfaction level of their employees. Employees working in Private Banks were mostly satisfied with the salaries, amenities, nature of the work and other allowances.

REFERENCES:

1. Aswathappa – Human Resource & Personal Management- Tata Mcgraw-Hill Publishing Company Ltd, 2nd edition.
2. Biswanath Ghosh – Human Resource Development & Management – Vikas publishing house Private Ltd. 2000
3. Gary Dessler – Human Resource management – Prentice Hall in India Pvt. Ltd, 7th edition Gupta C.B – Human Resource Management – Sultan Chand and Sons Educational Publishers, 2000 5th edition, Delhi.
4. https://www.ijsr.net/archive/v5i3/NOV161733.pdf
5. https://www.scipress.com/ILSHS.21.181.pdf

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

ROLE OF BANKS IN AGRICULTURAL LENDING IN INDIA

[1]Dr. P. AMARAVENI, [2]Mrs. M. ARCHANA
[1]Asst. Professor, Dept. of Commerce & Business Management K. U.
[2]Research Scholar, Dept. of Commerce & Business Management K. U.

Abstract: *India's performance in agriculture affects overall rural development and the extent of rural poverty. Therefore, the performance of the economy is crucially dependent upon agriculture. Agricultural credit provided direct finance either short-term or long-term to farmer for procures agriculture capital arrangement. The informal sector severely exploited by Indian farmers like private moneylenders, friends, relatives, commission agents, traders, and village money lenders etc. Indian banking system had play a vital role in bringing agricultural revolution, in removing indifference of wealth, and in the development of agriculture sector. Government of India initiated several policies and implemented through banks to create a conducive environment to improve the timely and adequate institutional credit to all farmers for the inclusive development of agriculture sector. The result of implementation of these policies registering 51 percent growth rate from the financial year 2010-11 to financial year 2016-17 is evident that commercial banks are dominating than the cooperative societies and regional rural banks by disbursing agriculture credit. The present study examines the performance of agricultural sector in India and the role of institutional credit in bringing the growth of agricultural sector.*

Key Words: *Agriculture Credit, Capital Formation, Commercial Banks, Small & Marginal farmers etc.*

1. INTRODUCTION:

As banking system in India, since country's independence has been supporting development of agriculture in general and small farmers in agriculture sector by providing credit and creating awareness. Agriculture credit is an important requirement for growth of agriculture sector. Agricultural policies have been reviewed from time to time to provide adequate and timely availability of finance to this sector. Rural credit system assumes importance because for most of the Indian rural families, savings are inadequate to finance farming and other economic activities. This coupled with the lack of simultaneity between income realization and expenditure and inequality of agricultural capital investments. The institutional credit system is critical for agricultural development and its role has further increased in the liberalized economic environment[1].

In India a multi-agency approach, to allow short term and long term credit through co-operative banks, scheduled Commercial Banks (SCBs) and Regional Rural Banks (RRBs), Non-Baking Financial Instructions, Self-Help Groups (SHG) to agricultural sector. The objective of inclusion of these institutions was to improve the farmer's access to institutional credit. The major milestones in improving the rural credit are acceptance of Rural Credit Survey Committee Report(1954), nationalization of major commercial banks (1969 & 1980), establishment of RRBs (1975), establishment of National Banks for Agriculture and Rural Development (NABARD) (1982) and the financial sector reforms (1991 onwards), special agricultural credit plan (1994-95), launching of Kisan Credit Cards (1998-99), doubling Agricultural Credit Plan within three years (2004), and Agricultural Debt Waiver and Debt Relief Scheme (2008). These positive initiatives had a positive impact on the flow of agricultural credit. The institutional agriculture credit was helping for the development of agriculture sector in the production of milk, pulses, jute like fibers and two in rice, wheat, sugarcane, groundnut, vegetables, fruits and cotton production and a leading producer of spices, plantation crops, livestock, fisheries and poultry products. Agriculture has been witnessing a shift in the production from food grains to high-value produce, especially fruits and vegetables. The Indian Banking industry received a lot of honor around the world for being resilient to the 2008-09 global financial crises. There are huge opportunities available in the rural area. The issuance of new banking licenses will make the banking industry much competitive and the existing banks have to use the early mover advantage by tapping the priority sector. Priority sector will become a platform of opportunities; the moment banks reach economies of scale in the remote areas.

2. IMPORTANCE OF AGRICULTURE SECTOR IN INDIA:

Agriculture sector plays a vital role in Indian economy contributes food and nutritional requirements of 1.3 billion Indian. 54.6% of the population is engaged in agriculture and allied activities (census 2011) and it contributes 17% to the country's Gross Value Added (current price 2015-16, 2011-12 series). Agriculture happens to be the most vulnerable sector of India. The country has made significant improvements in agricultural production (for e.g food grains production rose from 52 million tons in 1951 to 257.12 million tons in 2012-13 and as per the second advance estimate for the year 2013-14, the total food grain production stood at 263.20 MT), but the achievements have been mainly confined to a few areas. The major challenge for our agriculture system would always be increasing production and productivity to ensure food security for the rising population. Meeting this challenge means also ensuring food security and a better standard of living for the rural people. India's performance in agriculture affects overall rural development and the extent of rural poverty. Therefore, the performance of the economy is crucially dependent upon agriculture. Not only that, pressures derive from natural resource constraints, increasing fragmentation of holdings, frequent climatic variations, rising input costs and post-harvest losses pose an enormous challenge to sustaining agricultural growth. The agrarian distress in recent years is the result of a complex interplay of these factors. In the past, many of these factors along with lack of sufficient non-farm and off-farm employment have perpetuated low productivity and inefficiency in the agricultural sector. Against this backdrop, policies and programmes formulated by the government have focused on increasing farmers' welfare through improved employment opportunities, better farm practices, improving soil heath, increasing investment, creating rural infrastructure, ensuring timely delivery of credit and technology, encouraging market reform and reducing risk in agriculture through the introduction of a new insurance scheme. Given the importance of agriculture sector, Government of India took several steps for its sustainable development. Steps have been taken to improve soil fertility on a sustainable basis through the soil health card scheme, to provide improved access to irrigation and enhanced water efficiency through Pradhan Mantri Krishi Sinchai Yojana (PMKSY), to support organic farming through Paramparagat Krishi Vikas Yojana (PKVY) and to support for creation of a unified national agriculture market to boost the income of farmers. Further, to mitigate risk in agriculture sector a new scheme "Pradhan Mantri Fasal Bima Yojana (PMFBY) has been launched for implementation from Kharif 2016. As per the land use statistics 2013-14, the total geographical area of the country is 328.7 million hectares, of which 141.4 million hectares is the reported net sown area and 200.9 million hectares is the gross cropped area with a cropping intensity of 142 %. The net sown area works out to be 43% of the total geographical area. The net irrigated area is 68.2 million hectares[2].

Table – 1 Sector Wise Growth rate of Gross Value Added
(at 2012-13 basis prices) (In percent)

Period	2012-13	2013-14	2014-15	2015-16	2016-17*
Total GVA	5.4	6.3	7.2	7.9	6.6
Agriculture & Allied Sector GVA	1.5	5.6	-0.2	0.7	4.9
Industry	3.3	3.8	7.5	8.8	5.6
Service	8.3	7.7	9.7	9.7	7.7

*PE - Provisional Estimates
Source: (1) Key Economic Indicators, June 2017, (Table 1), Office of the Economic Adviser, Ministry of Commerce and Industry, GoI. (2) Provisional estimates of National Income 2016-17, CSO, Ministry of Statistics and Programme Implementation, GoI (Press Note dated 31 May 2017).

The above Table depicts that sector wise share of growth rate of Gross Value Added at 2012-13 constant prices. In particular agriculture and allied sector was recorded growth of 1.5 percent in 2012-13, 4.6 percent in 2013-14, -0.2 percent in 2014-15, 0.7 percent in 2015-16 and 4.9 percent (provisional) in 2016-17 at 2012-13 basic prices. When compare to Industry and Service sector agriculture sector was record much lower trend. The results indicates that there is need to grow agriculture sector because of over 58 percent of rural households depend upon this sector as their primary source of income.

Table - 2
Ratio of Agriculture Credit to Agriculture GDP

Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Ratio of Agriculture Credit to Agriculture GDP	35.6	36.9	34.0	36.1	37.8	40.9	42.1	40.5

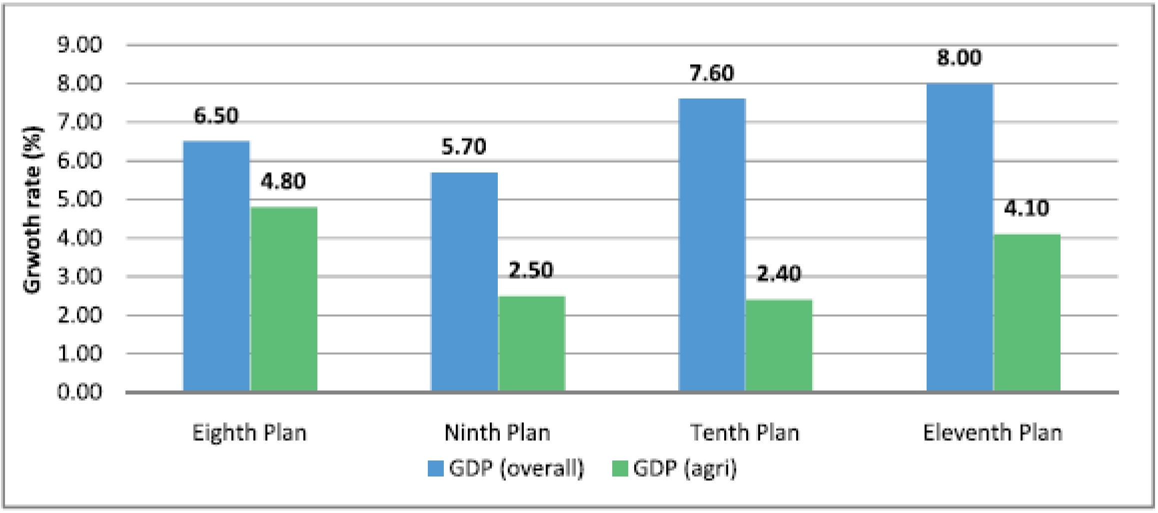
GVA – Agriculture at current prices.
Source: Calculations based on data accessed from (1) CSO, MOSPI, GoI, (2) NABARD Annual Reports (various issues) and (3) Provisional data (as on 28 February 2017) on agriculture credit for 2016-17 as reported by concerned banks on ENSURE portal of NABARD.

The above table reveals that the positive force between the share of agriculture credit to agriculture GDP during the period from 2009-10 to 2016-17. However in the financial year 2016-17 the share of agriculture credit to agriculture GDP was decline i.e., 40.5 percent from 42.1 percent in 2015-16.

3. GROWTH OF THE AGRICULTURAL SECTOR:

Since the beginning of economic reforms in 1991, increase in agricultural GDP has revealed high irregularity may be recognized that the continued dependence on the vagaries of the monsoon. It has fluctuated from 4.8 percent per annum in the period of 1992-96 (Eighth Five Year Plan) to a low of 2.4 percent during the period of 2002-06 (Tenth Plan) before rising to 4.1 percent in the Eleventh Plan (2007-12), as shown below[3]:

Agricultural Growth Rate during Different Plan Periods



Source: Central Statistics Office (CSO)

Table - 3

GVA and GCF in Agriculture and Allied Sector (at constant 2011-12 prices)

(Amount in Rs. crore)

Year	Gross Value Added	Agriculture Share of GVA (%)	Gross Capital Formation	Share of Gross Capital Formation of Agriculture & Allied sector (%)
2011-12	15,01,816	18.5	2,74,432	18.27
2012-13	15,24,398	17.8	2,53,308	16.62
2013-14	15,88,237	17.5	2,84,134	17.89
2014-15	16,06,140	16.5	2,77,436	17.27
2015-16	16,17,208	15.4	2,63,147	16.27

Source: (1) National Accounts Statistics, CSO, MOSPI, GoI (Press Release 31 May 2017)
(2) Key Economic Indicators, April 2017, (Table 10), Office of the Economic Adviser, Ministry of Commerce & Industry, GoI, www.eaindustry.nic.in
(3) NABARD various annual reports
(4) Agricultural Statistics, 2016

Capital formation is very important in agriculture and allied sector for inclusive and sustainable growth. Agricultural credit provided direct finance either short-term or long-term to farmer for procures agriculture capital arrangement. The above results show a positive relation between Gross Capital formations (GCF) in agriculture with the agricultural output. Public sector investment has been an important source of GCF in agriculture and an enabling factor in maintaining agricultural growth. The much-needed capital infusion in agricultural research and extension was facilitated by the implementation of schemes like Rashtriya Krishi Vikas Yojana (RKVY), National Horticulture Mission, National Agricultural Innovation Project, central support to state extension programmes, etc. The Share of Gross Capital Formation (GCF) in agriculture & allied sector as a proportion of total GCF showed a decline from 18.3 per cent in 2011–12 to 16.3 per cent in 2015-16 at 2011–12 prices. Considering the importance of agriculture and allied sector in increasing income, employment and achieving inclusive growth, it is imperative to arrest the declining trend and increase investment in the sector, especially keeping in view the Government of India’s aim of doubling farmers’ income. The declining GCF to GVA ratio in agriculture can be attributed to the decline in public sector investments. While the share of the public sector in GCF has declined from above 20 per cent during 2004–05 to 16.8 per cent by 2013–14, the share of private sector increased from 78 per cent to 83 percent, during the period under reference (GoI, 2016). Public sector investment in irrigation, rural roads, power, telecommunications, marketing infrastructure, agricultural research and extension services results in high growth of the agricultural sector and reduction in poverty. Considering the existence of fiscal constraints, the investment strategy in agriculture should be guided by the efficient and equitable use of resources with high payoffs. Hence, budgetary allocations for capital expenditure in agriculture and allied sector need to be increased by states.

4. REVIEW OF LITERATURE:

Selvaraj & Palajikumar[4] (2015) highlight the agricultural credit extended by the commercial banks in Tamilnadu and analyze the repayment performance of the borrowers. The study concluded that the marginal farmers had performed well not only in the prudent investment they had made on the financial and physical assets, but also in the better and more efficient utilization of factors and inputs in the study area. Agricultural credit, particularly commercial bank credit, promoted agricultural inputs to meet their various day-to-day agricultural expenses. Besides it had also motivated them to adopt intensive methods of cultivation. It could also be inferred that the recovery performance, which was found to be better in the study area, had in its turn induced the effective functioning of the Lead Bank in the study area. Anjani kumar at al[5] (2010) studied based on the secondary data compiled from several sources, has revealed that the institutional credit to agriculture in real terms has increased tremendously during the past four decades. The structure of credit outlets has witnessed a significant change and commercial banks have emerged as the major source of institutional credit in recent years. But, the declining share of investment credit in the total credit may constrain the sustainable agricultural growth. The quantum of institutional credit availed by the farming households is affected by a number of socio-demographic factors which include education, farm size, family size, caste, gender, occupation of household, etc. The study has suggested simplification of the procedure for a better access to agricultural credit of smallholders and less-educated/illiterate farmers. Sethupitchai Uthiran[6] (2015) paper is an attempt to study and discuss the trends of agricultural lending in India, Issues and strategies to be adopted in near future for betterment of country's development in various aspects of meeting demand and supply factors. Dr. Dhirendra Ojha[7] research paper was to bring into light about the importance of banking sector specially the importance of regional rural banks which play an important role in providing agriculture credit and to remove them from the clutches of local moneylenders. Deepal Kumar [8] (2005) examined the emerging roles of banking in agriculture and allied sectors and the private-public partnership (of private or public banks and government or private sectors). The existing and new models are only indicative. The need of the hour is to leverage the existing resources and make banks more participative through policy implementation and create conducive environment so that the agriculture sector can be cared for like any other sector. Even the existing and conducive policies are enough if they are properly implemented. Both private and public sectors are contributing to agriculture in a big way.

4.1. NEED FOR THE STUDY:

Credit is one of the most essential inputs for improving agricultural production and productivity and also to reduce farmers' distress. Agricultural productivity depends upon the availability of agricultural inputs such as land, water, seeds and fertilizers, availability of agricultural finance, crop insurance and assurance of remunerative prices and supporting price for agricultural products, storage and marketing infrastructure among others. The informal sector severely exploited by Indian farmers like private moneylenders, friends, relatives, commission agents, traders, and village money lenders etc. Indian banking system had play a vital role in bringing agricultural revolution, in removing indifference of wealth, and in the development of agriculture sector. Policy initiatives revolving around replacing the informal sources of lending to farmers by formal sources and to support enhancement of production and incomes, have been made.There is huge demand and supply gap for banking services in rural India. Rural India accounted for only 9 percent of the total deposits and 10 percent of total credit of the banking sector in 2011. While the figure seems alarming, the banks failed to achieve their targets in spite of such huge opportunities in the Indian Banking sector, especially in rural areas. Agricultural sector lending is a liability and a burden for the banks or an opportunity to explore the market across the remotest territories. The present study examines the performance of agricultural sector in India and the role of institutional credit in bringing the growth of agricultural sector.

4.2. OBJECTIVES:

- To study the importance of agricultural sector in Indian economy
- To assess the performance indicators of agricultural credit system such as GVA and share of agriculture GVA, Ratio of agriculture Credit in Agriculture GDP and Gross Capital formation and the proportion of agriculture capital formation in gross capital formation.
- To analyse the structural changes in flow of total institutional credit and highlighted proportion of crop loan and term loan in total institutional credit.
- To examine the coverage of small and marginal farmers in agriculture ground level credit flow and targets and achievement of institutional agriculture credit.
- To evaluate the status of Non Performing Assets in total agricultural credit outstanding.

5. RESEARCH METHODOLOGY:

The present research study based on secondary data, collected from various sources relating to study such as research articles, journals, books, magazines, newspapers, RBI reports, survey reports conducted by various association, publications of Government of India, Ministry of Statistics and internet etc.

6. DATA ANALYSIS:

6.1. AGENCY WISE GROUND LEVEL AGRICULTURAL CREDIT FLOW

Banks' approach to the rural lending will be guide mainly by commercial considerations in future. Commercial banks, Cooperatives and Regional Rural Banks (RRBs) are the three major segments of rural financial sector in India. Rural financial system, in future has a challenging task of facing the drastic changes taking place in the banking sector, especially in the wake of economic liberalization. The flow of agriculture credit depends on the availability of credit facilities from financial institutions, interest rate and the Government policies.

Table - 4

Agency wise ground level credit flow to agriculture (Crore)

Year	Co-operative Societies	Regional Rural Banks (RRBs)	Commercial Banks	Total Agricultural Credit
2010-11	78,121.00	44,293.00	3,45,877.00	4,68,291.00
2011-12	87,963.00	54,450.00	3,68,616.00	5,11,029.00
2012-13	1,11,203.00	63681.00	4,32,491.00	6,07,375.00
2013-14	1,19,964.00	82,653.00	5,27,506.00	7,30,123.00
2014-15	1,38,469.50	102482.91	6,04,375.82	8,45,328.23
2015-16	1,53,294.98	1,19,260.88	6,42,954.06	9,15,509.92
2016-17#	1,22,651.25	1,03,973.52	7,33,200.93	9,59,825.70

Source: NABARD reports
as on 28th February, 2017

The above table shows that the share of credit flows to agriculture sector disbursement by various agencies. Between 2010-11 and 2016- 17, institutional credit to agriculture improved from Rs.4,68,291 crores to Rs. 9,59,825 crores, recording 51 percent growth rate. In this regard the above statistics highlighted that the commercial banks were dominated continuously than cooperative societies and regional rural banks entire period.

6.2. GROUND LEVEL DISBURSEMENT TO AGRICULTURE SECTOR:

The requirement of agriculture credit can be depends on the time period i.e., short term, medium term and long term loans. Short term loans required for meeting the short time requirements of the farmer for period not exceeding and repaid after the harvest. These loans enable cultivators to procure inputs such as purchase of fertilizer, seeds and for meeting expense on religious or social ceremonies etc. Medium loans were having 5 years maturity period for meeting the financial requirements to make improvements on land, buying cattle or agricultural equipment, digging up of canals etc. Long term loans for having more than 5 year maturity period required for investment in fixed assets such as buy additional land, pumps, agricultural machinery, tractor or making permanent improvements on land.

Table - 5

GROUND LEVEL DISBURSEMENT TO AGRICULTURE SECTOR

Category		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17*
Crop Loan	Amount (Crores)	3,35,550	3,96,158	4,73,500	5,48,435	6,35,412	6,65,313	6,22,685
	Percentage	71.6	77.5	77.9	75.1	75.1	80.4	64.9
Term Loan	Amount (Crores)	1,32,741	1,14,871	1,33,875	1,81,688	2,09,916	2,50,197	3,37,141
	Percentage	28.4	22.5	22.1	24.9	24.9	27.3	35.1
Total Agricultural Credit		4,68,291	5,11,029	6,07,375	7,30,123	8,45,328	9,15,510	9,59,826

Source: NABARD, based on data reported by banks & IBA
*provisional

The above table shows that the share of institutional credit disbursement between crop loan and term loan. The above results exhibits that term loans was recorded continuous declined 35.4 percent from 2006-07 to 35.1 percent in 2016-17 (provisional). There is a need to increase the share of term loan it could be leaded to increase the agriculture productivity and capital formation.

6.3. AGRICULTURE CREDIT FLOW OF SMALL AND MARGINAL FARMERS:

Small and Marginal farmers need much agriculture credit at the time of crop season to meet their operational expenses. Most of the farmers are depending upon marginal and subsistence farming because they were gaining low level of yield and they are not in position to repay the credit at a time. Hence mostly they depend upon credit even for normal agricultural operations and have to pay a part of their income by way of interest later. The troubles and necessities for credit arise largely from the seasonal cycle of agricultural production which is superimposed on a largely everlasting and steady pattern of continuous consumption. Because of the marked disparity in season of production and consumption pattern, the savings and credit demand of this process may be significantly relative to net income. When it is for stimulating the pulse of agricultural production through new production technology, it is necessary that the farmers must be provided with sufficient and timely credit. New production technology includes intensive agriculture and reconstruction. It includes the use of high yielding variety of seeds, chemical fertilizers, creation of irrigational facilities, plant protection measures and introduction of farm machinery like tractors and combined harvesters.

Table - 11
Coverage of Small and Marginal Farmers (SMF) in agriculture
Ground level credit (GLC) flow

Number of Accounts for GLC	2013-14	2014-15	2015-16
Total no. of accounts (all farmers) (in crores)	8.05	8.53	8.99
No. of Accounts of SMF (in Crore)	5.05	4.86	5.40
% coverage of SMFs	62.7	57.0	60.1

Source: Standing Committee on Agriculture, March 2017

Indian Rural Development Report, 2012-13 reveal the status of small farms have proven to be more competent than the large ones by using resources like land especially in labour-intensive crops and tending livestock, but the holdings are often too small to generate sufficient income to support a family.(Reference) The above table discloses that the fact that the farmers are very much dependent upon the institutional credit for the requirement of agricultural activities. It is evident that the number of farmer's accounts increased to 8.99 crores in 2015-16 from 8.05 in 2013-14.

Table - 12
Targets and Achievements for agricultural credit (billion)

Year	Co-operative Societies			RRBs			Commercial Banks			Total		
	Target	Achieve Ments	No. of A/Cs	Tar get	Achieve Ments	No. of A/Cs	Target	Achieve Ments	No. of A/Cs	Tar get	Achieve ments	No. of A/Cs
2010-11	5500	7812	2.42	4000	4429	0.74	2800	3459	2.37	3750	4683	5.50
2011-12	6950	8796	3.09	5050	5445	0.83	3550	3686	2.55	4750	5110	6.47
2012-13	8400	1112	3.11	7100	6368	0.85	4200	4325	3.07	5750	6074	7.03
2013-14	1250	1199	3.79	1000	827	0.99	4750	5090	3.21	7000	7116	7.99
2014-15	1400	1385	2.27	1200	1025	0.85	5400	6044	2.48	8000	8453	8.54
2015-16	1400	1533	2.27	1200	1193	0.85	5900	6430	2.48	8500	9155	8.54
2016-17	1500	1428	NA	1250	1232	NA	6250	7998	NA	9000	10658	NA

Source: RBI Reports on trends & Progress of Banking sector in india, various issues,
Dept. of agriculture, cooperation and farmer's welfare (Credit Division), state of Indian Agriculture 2015-16.

The above table explore that the target and achievement of agriculture credit from 2010-11 to 2016-17, increased from Rs.4,68,291 crores in 2010-11 to Rs. 10,658 crores in 2016-17, registering 51 per cent a compounded annual growth rate. It is noteworthy that the flow of agricultural credit has not just increased over the years but has consistently exceeded the target. During 2015-16, against a target of Rs. 8,50,000 crores, more than 70 per cent of the credit has been disbursed by December, 2015. Finance minister Arun Jaitley while presenting the Union Budget on February 1 increased the total agriculture loan target by Rs1 lakh crore to Rs10 lakh crore for 2017-18.

Table - 13
NPAs STATUS

Year	Total Outstanding Agriculture Credit	Gross NPA Amount	Gross NPA % to total agriculture credit
2007-08	3081	97	3.2
2008-09	3744	72	1.9
2009-10	4736	164	2.2

2010-11	5076	167	3.3
2011-12	5802	240	4.3
2012-13	6428	302	4.7
2013-14	7792	340	4.4
2014-15	8295	391	4.7

Source: RBI annual report, various editions

The above table shows that the Status of gross NPAs in agriculture as percent of total outstanding agricultural credit during 2008 to 2015 by public sector banks. During the period 2007 to 2015, 3.2 percent gross NPAs of total agricultural credit was recorded in the financial year 2007-08 and it was decreased and reported 1.9 in 2008-09. In the remaining period the gross NPAs to total agricultural credit gradually increased year by year and it was recorded as 4.7 percent in the year ended 2015. The agricultural loan outstanding stood at Rs 1.45 lakh crore with regional rural banks, Rs 1.57 lakh crore at cooperative banks and Rs 9.57 lakh crore at commercial banks. According to RBI at the end of financial year 2017, farmers got agriculture credit from banks of Rs. 9.92 lakh crore and failed to pay only 6 percent on total credit. Despite criticism on farmers the non-priority sector got Rs. 26.8 lakh crores in loans, but defaulted on 21 percent of them. The Minister of State for Agriculture Parshottam Rupala said that the Debt waiver of farmer's loan schemes negatively impact credit and recovery climate and has severe systemic consequences. Farmers' inability to withstand unfavourable climate, drought, and floods, adopt yield-maximising technology and secure remunerative prices put at risk their capacity to a larger extent, and willingness, to some extent, with regard to loan repayment. Dr. Raghuram Rajan (2007) states that, bank lending programs are also hijacked by politicians in post nationalization era and admit that agricultural lending are highly manipulated by them during election times. Public sector banks in particular could achieve targeted credit disbursement to agriculture every year as mandated by the government but the impact of credit could not reflect on the increase in the productivity of crops / livestock / fisheries per unit of area / animal / fish and resources invested as also farmer's net income / profit. This is because numbers of small, marginal and tenant farmers availing credit have not been increasing at the pace required. Besides, credit-disbursal has not reflected on

- creating and utilization of additional irrigation facilities
- Significant increase in irrigated area leading to double / tripe cropping
- Accelerating farm – mechnasiation and commercialization of farming
- Increasing custom service providers to small and marginal farmers store farm produce and
- Increase in the number of suppliers of inputs of production for agriculture and animal husbandry, among others.

7. CONCLUSION:

Government of India initiated several policies and implemented through banks to create a conducive environment to improve the timely and adequate institutional credit to all farmers for the inclusive development of agriculture sector. The result of implementation of these policies registering 51 percent growth rate from the financial year 2010-11 to financial year 2016-17 is evident that commercial banks are dominating than the cooperative societies and regional rural banks by disbursing agriculture credit. The accessibility of small and marginal farmers also registered with 5.40 crores of total number of accounts. In India, Most of the rural population adopting agriculture sector as major income source, it serves food grains to 1.3 billion country's population. Today India is struggling to achieve food sufficiency, due to lack of proper planning, administration and insufficient capital. Farmer's accessibility towards capital is only through bank credits. The banking sector should understand the rural level function and operation to develop the products and policies before implementation of policies and provide more awareness to farmers to improve their accessibility with banks. Government has to take more initiations to provide supporting prices to agriculture products and subsidies on seeds and fertilizers, and must reduce the political intervention while implementing the policies and programmes.

REFERENCE:

1. Dr. Anupama Rajput, Ariculture Credit in India.
2. Agricultural Statistics at a Glance 2016, Government of India, Ministry of Agriculture & Farmers Welfare, Department of Agriculture, Cooperation & Farmers Welfare, Directorate of Economics & Statistics.
3. State of Indian Agriculture 2015-16, Government of India, Ministry of Agriculture & Farmers Welfare, Department of Agriculture, Cooperation & Farmers Welfare, directorate of Economics & Statistics, New Delhi.
4. Anjani Kumar, K M Siingh and Shardhajali Sinha, Institutional Credit to Agriculture Sector in Inda: Status, Performance and Determinants, Agicultural Economics Research Review, Vol. 23, july-December 2010 pp 253-264

5. Sethupitchai Uthiran, Agicultural Lending in India – Trends, Issues and Strategies, Sai Om Journal of Commerce & Management – A Peer Reviewed National Journal, ISSN-2347-7563(Online), vol.2, Issue 11 (November, 2015).
6. Dr. Dhirendra Ojha, Role of Banking Sector in Development of Indian Agriculture with Special reference to Satna District, ELK Asia Pacific Journals, ISBN: 978-81-930411-0-9
7. Deepak Kumar, Roles of the Banking Sector in Indian Agriculture a Paradigm Shift, 2005 The ICFAI University Press, All Rights Reserved.
8. Rakesh Mohan, Agricultural Credit in India: Status, Issues and Future Agenda, Reserve Bank of India Bulletin, November 2004.
9. The Role of Commercial Banks in Providing Agricultural Credit (Factors Responsible for overdue Position) – A Study with reference to Tamil Nadu in India, International Journal of Accounting Research, ISSN IJAR, an open access journal, Volume 3, Issue 1.
10. Sri Subramaniam, Role of Agricultural lending – India, http://ssrn.com/abstract=1483243
11. Reserve Bank of India 2016-17, Handbook of Statistics of Indian States.
12. Annual Reports of NABARD
13. Annual Reports and Trend & Progress Report of Reserve Bank of India
14. Annual Report 2016-17, Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture & Farmers Welfare, Government of India, Krishi Bhawn, New Delhi – 110 001.
15. Pocket Book of Agricultural Statistics 2016, Government of India, Ministry of Agriculture & Farmers Welfare, Department of Agriculture, Cooperation & Farmers Welfare, Directorate of Economics & Statistics, New Delhi.
16. http://www.thehansindia.com/posts/index/Business/2016-01-31/Banking-more-on-agriculture-l-ending/203757
17. http://www.businesstoday.in/budget/agriculture/
18. https://www.ibef.org/economy/economic-survey-2015-16
19. http://www.agrisktech.com/sources-agricultural-finance-india/

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

ANALYSIS OF ICICI BANK SERVICE QUALITY DIMENSIONS AND CUSTOMER SATISFACTION WITH REFERENCE TO NIZAMABAD CITY, TELANGANA STATE

[1]Dr. V. Rajeshwari, [2]P. Sagar
[1]Associate Professor, Department of Business Management, Telangana Uni. Nizamambad
[2]Research Scholar Department of Business Management, Telangana Uni. Nizamambad

Abstract: *This paper is focused on service quality dimensions of ICICI bank Nizamabad city. In this paper, analysis of the ICICI bank services and the impact of service quality dimensions on customer satisfaction are taken. Objectives of this paper is analysed and tested with comparative means. Customer retention for the bank is important, to retain the customers with them service quality dimensions plays key role. This paper is emphasized on private banking sector services specially with reference to ICICI in India and discussed review of literature of the service quality dimensions, Hypothesis is tested and drawn the conclusion that customers were satisfied with the quality dimensions provided by ICICI.*

Key Words: *Customer satisfaction, Customer retention, Service quality dimensions.*

1. INTRODUCTION:

Bank is a budgetary organization that performs a few works and acknowledges previously, deposits, providing loans to farmers and also for the country development. Banks assume a paramount part in the investment improvement of the nation. It may be important to energize individuals to save their surplus in the banks. These finances would utilize for giving advances to the commercial enterprises there by settling on profitable ventures. A bank pools the money that acknowledges stores furthermore channels the individual's stores done to loaning exercises. They are the animated players over budgetary businesses. The key part of a bank is to interface the individuals who invest the money. After the post financial liberalization and globalization, there is a need aroused on the managing the accounts of industry. Saving money to India originated in the eighteenth century, and the most seasoned bank on presence done in India will be the State bank of India, An administration possessed bank over 1806, State bank from claiming India may be that biggest business bank in the particular nation.Then after the Independence, store bank from claiming India might have been nationalized, also provided for total forces currently. India need 96 planned business Banks, 27 general population segment banks, 31 Private division banks and remote banks. Today, banks have differentiated their exercises more needed aids, that bank can service the investors and customers. More and more benefits if the bank incorporate chances to attract the Depositors by offering credit cards, shopper finance, loans(personal, housing, gold, industry etc), extra security furthermore insurance, venture banking, common funds, annuity reserve regulation, stock firm services and so on..

2. REVIEW OF LITERATURE:

- Dr. G.Ramu and V.Anbalagan(2017), the banking scenario in India is of a highly developed nature, even though it is still far from achieving world standards in terms of size, products and services. Indian banks have realized that along with organic growth there is a need to grow inorganically as well, in order to be competitive with other players in the market.
- Mrs. M. Rajalakshmi,(2016), Service Quality is the degree of excellence in the service performance. Quality in customer service is the only way a business can differentiate itself from its competitors.
- Amudha and senthil kumar .T (2015) Quality in service is an indefinable concept because of the intangibles nature of the service offering and the definition of quality may vary from person to person and from situation to situation. Even though a universally accepted definition of quality does not exit till now, most writers on service quality supports a customer's - centered definition with the reservation that customer expectations are not necessarily consistent or predictable.

- Mr.Rajeev kumar panda and Rmama koteswara Rao kondasani (2014) this paper aims at constructing a measure of service quality for Indian private sector banks. The SERVQUAL model was used. In total 28 variables were considered to find their relative importance from customers' point of view.
- Dr Snehalkumar and h mistry (2013) with the economic growth of country is on accelerating mode, role of banking industry is also important in this growth. With the expansion of banking services to peoples excluded from banking services to large corporate searching fund for their activities, makes the importance of banking services. New technologies are being introduced and there is always a fear of economic uncertainties.
- **Dr .V.K. Shobhana, et al (2012):-**Recommended five extents about service quality for example, Tangibles, Reliability, Responsiveness, certification and sympathy. They consider is In view of this SERVQUAL scale, coating 200 clients of the select business banks spotted clinched alongside dissolve locale about Tamil Nadu.
- **M. Kailas (2012)**:-Broke down that execution Around two Classes for banks – state funded What's more private segment banks (only domestic) in Vijayawada city using the rundown about administration qualities In light of diverse administration measurements for example, tangibles, reliability, responsiveness, certification Furthermore sympathy Throughout December 2011.
- **Sam Stembo (2012):-**Done as much article titled ‗Strategic part of CRM done corporate Renaissance' recommended that, ―The assignment of the association is will comprehend its clients due to whom it exists, the association Furthermore its individuals administration suppliers and suppliers Also oversee a powerful Also effective relationship.
- **Asma Abdul Rahman, (2012):-**Investigated those association between client fulfillment and six measurements from claiming administration personal satisfaction (CARTER model) On Islamic banks of Pakistan, those UK Also UAE. This ponder utilization an example about 225 clients about Islamic banks; 75 reactions bring been taken from every nation. The organized questionnaire procedure need been used to gather information. Those paper's discoveries uncover that Pakistani Also UK Islamic saving money clients think about assurance, unwavering quality What's more sympathy Similarly as critical Components for client satisfaction, inasmuch as UAE clients think about certification Furthermore unmistakable Likewise critical extents about fulfillment.
- **Houn-Gee Chen, et al (2012)**:-The reason for their ponder is should Fabricate An more extensive understanding of the determinants for client fulfillment All around the money related administrations business Eventually Tom's perusing incorporating the recognitions from claiming equitability in administration conveyance (FAIRSERV) and plotting the reason what's more entryway FAIRSERV will be significant on client fulfillment. The analysts behavior An cross-sectional 85 Aarush Gupta, Santosh Dev., "Client fulfillment done Indian banks: an experimental study", management examination

2.1. OBJECTIVE OF THE STUDY:

- To know the customer satisfaction level about the ICICI bank in Nizamabad city.
- To analyze the service quality dimensions of ICICI bank in Nizamabad city.

2.2. HYPOTHESIS:

- H0: There is no significant difference in the impact of service quality dimensions on customer satisfaction of ICICI Bank
- H1:There is significant difference in the impact of service quality dimensions on customer satisfaction of ICICI Bank.

3. RESEARCH DESIGN AND METHODOLOGY:

The sample size is 50 respondents from ICICI bank Nizamabad city branch , and comparative means are applied to test the hypotheses.

3.1. LIMITATION OF THE STUDY:

This study is limited to Nizabamad city.

3.2. STATEMENT OF THE PROBLEM:

Customers are the key source for any business. A banking industry is highly service oriented business in India. Private sector banks have been universally identified as an essential element in the developing process. Private sector banks offering healthy competition to public sector banks, in this regard service quality is key element for the banks increasing the business. Here in the study figure out the service quality of private sector banks in Nizamzbad city and satisfaction level of the customers with those services.

3.3. PRIVATE BANKING:

The private banks are banks where greater parts of stake or equity are held by the private share holders and not by government. The private sector banks are split into two groups, old and new. The old private sector banks existed prior to the nationalization in 1969 and kept their independence. The new private sector banks are those that have gained their banking licence since liberalization in the 1990s. In India private banks are available in plenty and known for offering expeditious service to their customers. Indian Banking has been dominated by the public sector banks since the 1969 when all the major banks were nationalized by the Indian government. However, since liberalization in the government banking policy in the 1990s, old and new private sector banks have emerged. They have grown faster &bigger over the two decades since liberalization using the latest technology, providing contemporary innovations and monitory tools and techniques. In 1994, the Reserve Bank of India opened the door for private banks and handed out the policy to control the private banks .The policy also included the liberation for private Banks in terms of their free and independent operation. The first private banks is trust Bank later known as Oriental Bank of Commerce, then other private Banks like HDFC Banks, International Bank, ING Vysya Bank and more came. Private Banks in India have earned great response for it service and also known for bringing revolution for serving millions of customers . It offers its services 24 hours and made the job of fund transfer easier by offering new banking service. Besides, there are lots of ATM machines have been set up by such private banks and made the task of withdrawing liquid money easier. The bank is are accountable for a share of 18.2 percent of the Indian Banking industry.

Service Quality Dimensions	Strongly Agree (Mean)	Agree (Mean)	Neutral (Mean)	Disagree (mean)	Strongly Disagree (Mean)
I) TANGIBLES					
1)ICICI has centrally located	1.13	1.16	Nil	0	Nil
2)ICICI bank employees has professionally dressed	1.3	1.6	Nil	1.00	Nil
3)ICICI bank has attractive printed material	1.3	1.6	Nil	1.00	Nil
4) ICICI banks has modern equipment	1.3	1.6	Nil	1.00	Nil
5)ICICI bank layout and physical facilities are visually appealing	1.3	1.6	Nil	1.00	Nil
II) **RELIABILITY** 6) When ICICI bank promises to do something by certain time, it does	1.08	1.18	1.00	Nil	1.00
7) ICICI has provide online reliability	1.08	1.18	1.00	Nil	1.00
8) ICICI consistence performance for provide rights services	1.08	1.18	1.00	Nil	1.00
9) ICICI provides quick and prompt services	1.08	1.18	1.00	Nil	1.00
10) ICICI provides its services at the time its promises to do so	1.08	1.18	1.00	Nil	1.00
11) ICICI provide reliable information	1.08	1.18	1.00	Nil	1.00
12) ICICI has provides error free services	1.08	1.18	1.00	Nil	1.00
III) RESPONSIVENESS 13) Employees of ICICI bank , tell you exactly when services will be performed	1.07	1.20	Nil	1.00	1.00
14) Employees of ICICI bank give you prompt services	1.07	1.20	Nil	1.00	1.00
15) Employees of ICICI bank are always willing to help you	1.07	1.20	Nil	1.00	1.00
16) Employees of ICICI bank are respond quickly and eliminating error	1.07	1.20	Nil	1.00	1.00
17) Employees of ICICI bank are friendly and customer support	1.07	1.20	Nil	1.00	1.00
IV) ASSURANCE 18) The behavior of ICICI bank employees kind and polite	1.00	1.20	1.25	1.00	1.00
19) ICICI bank employees gives assurance for safe and security for transactions	1.00	1.20	1.25	1.00	1.00
20) You feel safe and security in your transactions' with ICICI	1.00	1.20	1.25	1.00	1.00
21) ICICI banks has provides assurance for execution time	1.00	1.20	1.25	1.00	1.00
22) Employees in ICICI bank has the knowledge to answer your questions	1.00	1.20	1.25	1.00	1.00
V) EMPATHY 23) ICICI banks gives you individual attention	1.00	1.26	Nil	1.00	1.00
24) ICICI bank has operating hours convenient to all its customers	1.00	1.26	Nil	1.00	1.00
25) ICICI banks employees willing to help the customers	1.00	1.26	Nil	1.00	1.00
26) ICICI bank employees understanding you specific needs	1.00	1.26	Nil	1.00	1.00

4. INTERPRETATION OF SERVICE QUALITY DIMENSIONS:

- **TANGIBLES:**

Tangibles are one of the service quality dimensions, which means, what is the facilities visible to customer provided by icici bank. The mean of this dimension 1.13 (Strongly agree) and 1.16 (Agree), this two means clearly indicating, the customers are satisfaction by tangibles which is provided by the icici bank

- **RELIABILITY**

The Reliability is the second dimension of the service quality, which means Ability to perform the promised service dependably and accurately, after observation the means 1.18 (Agree) and 1.08 (Strongly Agree). This dimension showing positive behavior of the customers, so the customer of icici banks is satisfied with the reliability of the bank

- **RESPONSIVENESS**

The Responsiveness is the third dimension of the service quality which defines Willingness to help customers and provide prompt service. In this case the means score 1.20 (Agree) and 1.07(Strongly Agree) the most of the customers agree that icici bank is response is best towards customer.

- **ASSURANCE**

The Assurance is the fourth dimension of service quality, its means weather the bank is giving assurance regarding credibility, security, and competence, courtesy. In this issue the means score is 1.20 (Agree) and 1.00 (Strongly agree) this two score are indicating the customer feel assurance from bank.

- **EMPATHY**

The last fifth dimension of service quality empathy which means understanding the customers and communicating, approachability. The empathy score is 1.26 (Agree) and 1.00(Strongly agree) this is also positive towards the bank.

4.1. TESTING HYPOTHESES:

In case of testing hypotheses is H1 is the accepted that is there is significant difference in the impact of service quality dimensions on customer satisfaction of ICICI Bank.

5. CONCLUSION:

The overall customers were satisfied with the services provided by the ICICI bank, Nizamabad city.

6. SUGGESTION:

The ICICI Bank is giving priority only to the business professionals and neglecting employee. Hence ICICI bank give priority to the employee also.

REFERENCES:

1. Abrat R and Rusell J. 1999: Relationship marketing in private banking in South Africa.International Journal of Bank Marketing, Vol. 17, No. 1, pp. 6-18
2. Aldlaigan, A.H. and Buttle, F.A. (2002), SYSTRA -SQ: a new measure of bank service quality. International Journal of Service Industry Management, Vol. 13 No. 4, pp. 361-380.
3. Angur, M.G.; Natarajan, R; and Jahera, J.S. (1999); “Service Quality in the Banking Industry: An assessment in a Developing Economy”, International Journal of Bank Marketing, Vol.17, No.3, pp.115-122.
4. Karen Kueh, Boo Ho Voon, “Culture and service quality expectations: Evidence from Generation Y consumers in Malaysia Journal: Managing Service QualityYear: 2007 Volume: 17 Issue: 6 Page: 656 – 680.

Books

1. S.Gordon & K.Natarajan, Banking Theory Law & Practice.
2. R.Srinivasa, Service Marketing (The Indian Context) 2004.

WEB REFEENCE:

- http://www.preservearticles.com

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

IMPLEMENTATION OF MICROFINANCE STHREE NIDHI CREDIT CO-OPERATIVE FEDERATION (LTD) IN TELANGANA

Dr. Abbanapuri Yakaiah
University College of Commerce & Business Management, Kakatiya University
Warangal, Telangana

Abstract: *Implementation of appropriate social protection systems, achieving substantial coverage of the poor and the vulnerable with appropriate financial services, including microfinance is expected to build resilience of the poor and vulnerable to face economic, social, environmental shocks and disasters. Environment degradation affects the poor more than anybody else as they lose livelihoods. SDG envisages doubling the agricultural productivity and incomes of small-scale food producers, in particular women, provide skills and financial services, markets and opportunities for value addition and for non-farm employment Microfinance is a powerful tool to achieve the above objectives as it has been playing an important role in helping the poor to meet their exigent, working capital and investment needs for taking up livelihoods. However, more important aspects are timely, adequate and affordable credit delivery, which are basic tenets of any efficient credit delivery system. It is a paradox that poor who need low cost credit pay high rate of interest on loans accessed either from money lenders or MFIs while the other well to do segment get loans even for consumption at low interest rates on the assumption that the former are more risky. The notion that poor need small amount of credit and therefore they are interest rate insensitive needs to be looked at afresh as "Interest saved is money earned" which not only makes activities viable but also is need of the hour for poor segment of the society.*

Key words: *substantial, economic, social, poor, credit*

1. INTRODUCTION:

Conceptual Overview of MicroFinance Sthree Nidhi Credit Co-Operative Federation

Sthree Nidhi has a major role in alleviation of poverty in the State of Telangana and would make earnest efforts in this direction by bringing innovations and customizing loan products and services. It will also associate with implementation of Govt. programmes like NREGA promoted LIFE and also with line departments for financing livelihoods including those aimed at soil and moisture conservation, ecological balance, animal husbandry andother farm and non-farm activities. Stree Nidhi would also focus on financing Farmers'Producers Groups for livelihoods. It will adopt Villages for development through credit. StreeNidhi Credit Co-operative Federation Ltd., is an apex society at state level established on 07.09.2011, promoted jointly by the federations of SHGs namely Mandal Samakhyas and Town Level Federations and the State Government. Later on, as per A.P State ReorganisationAct' 2014 Stree Nidhi, Telangana was registered on 26.05.2014 as a separate institution andfunctioning as a separate entity in Telangana State from 02.06.2014. Stree Nidhi is acommunity owned financial institution actively engaged in providing financial services viz.credit, savings and banking services as Business Correspondent to the poor in the state. Stree Nidhi laid a strong foundation to extend required credit in time for micro enterprises taken up by the poor, at an affordable rate of interest without any hassles to enhance their income earning capacities. This is possible with the active support of State Govt., Society for Elimination of Rural Poverty (SERP) and Mission for Elimination of Poverty in Municipal Areas (MEPMA) working for elimination of poverty in rural and urban areas respectively.

2. NEED TO SUPPORT INSTITUTIONS LIKE STREE NIDHI:

Stree Nidhi model facilitates low cost, timely and affordable credit to the poor. It is a community driven model, where SHG federations are stake holders along with the State Govt., and the former provide last mile connectivity and play an important role in managing operations of Stree Nidhi. SHG federations and SHGs themselves decide the eligibility as per the loan terms and conditions stipulated by Stree Nidhi through participatory approach. It isalso helping in strengthening the SHGs and their federations. Stree Nidhi is focussing on promotion of livelihoods and is supplementing the efforts of SERP in financing Farmers Producers Groups/Activity Groups, which take advantage of collective action. Stree Nidhihas unique model of credit delivery in the country where banking sector also plays a supporting role. Technology is a major plank facilitating ease of reaching the poor and monitoring. Considering the strengths of Stree Nidhi, NRLM/GOI have appointed StreeNidhi as a National Support Organisation for providing support in implementation of appropriate credit delivery model on the lines of Stree Nidhi in five states of the country.This speaks volumes of the way the institution evolved itself in the last few years renderings ervice to the poor.

2.1. OBJECTIVES:

The main objectives of Stree Nidhi are as under:

- To provide low cost credit to the SHG members expeditiously using technology and supplement credit flow from banking sector
- To promote and finance livelihoods to generate income and alleviate poverty.
- To work for the socio economic up-liftment of the members of Self Help Groups in Rural and Urban area.

3. METHODOLOGY OF THE STUDY:

The study is mainly restricted to secondary data. Data for the present paper is collected from the references from various articles, journals, reports generated by RDD on micro insurance Sthree Nidhi Credit Co-operative Federation Ltd. Rural Development Department Government of Telangana and the annual reports of RDD, 2013-14 to 2015-16.

4. MISSION FOR ELIMINATION OF POVERTY IN MUNICIPAL AREAS (MEPMA):

Stree Nidhi extends financial services to SHGs promoted by MEPMA. For evolving suitable strategies to alleviate poverty in urban area, and to implement the same, the Government has established a Mission for Elimination of Poverty in Municipal Areas headed by an IAS officer. MEPMA is facilitating poor in urban areas in formation of SHGs and their organisation into federations at Slum level and Town level. It is playing a key role in implementation of SHG- Bank linkage programme in urban areas through their staff under the leadership of Project Directors located at District Head Quarters. The Staff are actively involved in ensuring delivery of financial services of Stree Nidhi. They extend support in effective monitoring of credit flow and repayment of loans. Stree Nidhi is working in tandem with SERP and MEPMA, to provide financial services along with other services in an integrated manner to have synergetic effect.

- **Role of SHGs (Self Help Groups)federations**

In the State of Telangana, 4.41 lakh SHGs were promoted and nurtured by SERP in rural area and 0.93 lakh SHGs were promoted in municipal and urban areas by MEPMA excluding SHGs in GHMC area. In rural area, about 20-30 SHGs have federated into Village Oraganisation (VO) and likewise in urban area into Slum Level Federations (SLF). About 20-30 VOs and SLFs are federated at Mandal Level as Mandal Samakhyas (MSs) and at town level as Town Level Federations (TLFs) respectively. These are legal entities registered under Mutually Aided Co-operative Societies Act (MACS Act)'1995.The VOs and SLFs play a key role in providing last mile connectivity, facilitating members to avail the services of Stree Nidhi, monitoring performance and implement all other activities of Stree Nidhi and thus function like branches of Stree Nidhi at village and town level. District wise data relating to no. of members, SHGs,VOs/SLFs &MS/TLFs are furnished in appended to this report.

- **Stree Nidhi – Organisation and Management Structure**

a) Management Structure: Stree Nidhi Credit Co-operative Federation Ltd., is anapex body registered under Telangana State Cooperative Societies Act'1964. The federations of SHGs viz. MSs and TLF in association with State Govt. are the shareholders of the organisation.

b) General Body: The General Body of Stree Nidhi consists of all the shareholders i.e.,MSs/TLFs and it is the supreme body for decision making.

c) Managing Committee: Managing Committee of Stree Nidhi Credit Co-operative Federation Limited., consists of 12 elected representatives, 9 from Rural Territorial Constituencies and 3 from Urban Territorial Constituencies representing MSs and TLFs in the state as provided in the Bye-laws of Stree Nidhi.The State Govt.nominated 3memberson the Managing Committee viz., Principal Secretary, Rural Development; Registrar of Co-operative Societies and Secretary Finance. The State Govt. has appointed Managing Directoras Ex-officio on the Board. The MC also has 3 Special invitees namely Chief Executive Officer, SERP; Mission Director, MEPMA and CEO, APMAS.

d) Organisation Structure – Staff: Stree Nidhi has been expanding its services to deliver financial services by introducing new products both under savings, credit and other areas of functioning.The no of SHG members availing services is showing a healthy increasing trend. Tomeet the demand in providing financial services, Stree Nidhi has recruited staff with experience in banking, accounting and financing SHGs, micro finance, capacity building of institutions, IT in the cadres of Deputy General Managers, Regional Managers/Chief Managers,Managers and Asst. Managers during the year.

e) Staffing Pattern: For effective monitoring of implementation of Stree Nidhi activities, athree tiersystem is followed.

f) Head Office: under over all administrative control of the Managing Director, the following verticals have been formed to supervise various functions, which are headedby DGMs and assisted by Chief Managers, Managers & Asst.Managers., Board Secretariat, Policy and MIS, Monitoring, General Administration, Credit and Livelihoods, Information Technology, Financial Inclusion, Funds Management, Risk Management, Accounting and Reconcilation and Institutional Monitoring & Social Audit

g) Field level functionaries: To ensure effective implementation of activities and monitoring to achievedesired results, all the districts except Hyderabad are divided in to 3 zones and few districts in the zone are considered as a Region. Each zone is headed by DGM,who will supervise the performance of the Regions in all the areas. The regions are headed by Regional Managers and they are assisted by Managers, Assistant Managers who are responsible foroverall performance of the regions. In each region, operational area consisting of 7-8 mandals is allocated to Asst. Managers/Managers. The Regional Manager has to supervise the functioning of all the Managers and Asst.Managers and the Managers have to monitor the functioning of Asst.Managers working under their purview.

h) Recruitment of Staff: Stree Nidhi has increased staff strength from time to time depending on the needin tune with the growth in volume of business and coverageof members. The Staf fstrength has increased to 81 as on March 2016.During theyear, there was an excellent growth in total advances, deposits and improved performance in repayment and reduction in NPAs. The details of staff positioned at HO & field in different cadres are given in the table no.5 of part-C of this report and porganogram is depicted below.

5. EASE OF REACHING POOR AND MONITORING- ROLE OF TECHNOLOGY:

Stree Nidhi has been using I.T. Solutions to the optimum covering all operations to deliver financial services at the doorsteps of the poor members of SHGs in the State. Technology platform adopted has been playing a key role in providing the last mile connectivity to the poor and in lowering the cost of operations. Entire range of operations right from loan request, mobilisation of savings, loan processing, disbursement, repayment and adjustment of amount repaid to loan accounts, monitoring and implementation of BC activities are enabled through technology.Funds transfer is ensured through Electronic Fund Management to reach to SHGs, through banking channel using RTGS,NEFT and intra bank transfers.

a) Credit delivery Mechanism: One of the objectives of Stree Nidhi is to ensure delivery of credit to SHG members within 48 hours in case of loans up to Rs.25,000/- and loans of higher order exceedingRs.25000/- within 15 days. The process of Interactive Voice Responsive System (IVRS), is effectively used for making loan requests through mobiles available with VOs/SLFs in CUG mode. IVRS solution enables VO/SLF to send loan requests of the members to Stree Nidhi, which have inbuilt validations to decide on the eligibility. For the loan requests exceeding Rs. 25,000/-, HLPs are prepared and are appraised through web portal. The loan amounts are directly credited into the SB accounts of SHGs in bank branches and a SMS alert is sent to VO/SLF concerned. The details of loan disbursed are communicated to the members through SMS.The loan sanction and appraisal process through IVRS and web portal are shown in the flow chart below.

b) Repayment: For the loan accounts created, the member wise repayment schedule is generated and the same is aggregated at SHG,VO/SLF and MS/TLF level for monitoring purpose. The details of amounts to be repaid, due date, interest for delayed payment is calculated and the information is sent through SMS one week before the due date to all VOs/SLFs. The details of loans and amount to be repaid are also made available in URL specific to the VO/SLF and can be accessed using GPRS enabled in CUG mobile as also website. After the repaid amounts are transferred to Stree Nidhi and on sharing of the details by the Banks, these amounts will be reflected in Stree Nidhi was site. The VOs/SLFs can adjust the member wise repayments through URL provided for the purpose. Thereafter, the member wise amounts will be accounted for in the loan ledgers automatically. The amounts credited are confirmed to VOs/SLFs through SMS. Any communication from Stree Nidhi is communicated to VOs/SLFs through voice calls. A robust MIS and monitoring system is evolved to ensure monitoring of the services rendered, credit and savings portfolio and staff effectively which gets updated more or less on a real time basis.

- **Loan Policy**

The loan policy of Stree Nidhi is fine-tuned from time to time depending on need so as to enable the members of SHGs to avail credit services from Stree Nidhi without any hassles. While devising the policy, the guidelines prescribed by RBI are duly complied with by Stree Nidhi. The salient features of the present policy are as under.

a) **No. of members eligible for loan in a SHG**

Depending on the no.of members in an SHG,up to nine members can access credit as given in the table below. The members can avail credit till they attain age of 60 years. The Maximum borrowing limit per SHG is restricted to Rs.3.00 lakh.

Table: 2
No. of members eligible for loan in a SHG

S.No.	No. of members in a SHG	Total no. of members who can avail loans	No. of Maximum members who can avail loan by IVRS	loan available (Rs in lakh)
1	12 and above	Up to 9	6	3.00
2	10 – 11	Up to 8	6	2.50
3	9 and below	75% of the members or 6,whichever is high	4	2.00

Source: RDD-TS annual reports from 2015-16

A member can borrow up to a maximum of Rs.1.00 lakh Ceiling on credit limit of VO is Rs.50.00 lakh , Of the credit limits allocated to VOs, 35% is allocated to Micro & Tiny loans. A member having availed a general loan repaid regularly can also avail micro loan for livelihood enterprises. For availing tiny loans the members loan outstanding under Bank Linkage shall not exceed Rs.25000/-.The maximum investment cost of activity shall not be more thanRs.1,20,000/- which includes money mobilised by the borrower. In case of loans for the purpose of marriage, the loan will be linked to the amount of loan given by SHG to it's member. It will be a matching loan from Stree Nidhi.

- **Credit products**

Financing microenterprises and livelihoods has been widely adopted as anti-poverty strategy. Micro enterprises have been playing as an engine of economic growth, equitable development and encourage self-employment to a large extent. Availability of financial services is a key to the success of micro enterprises. Stree Nidhi played a significant role in purveying micro credit to the needy members of SHGs during the past 4 years. The loan amount initially was limited up to Rs.25,000 per member depending on the purpose of loan. Keeping the importance of Micro Enterprises and livelihoods in enhancing income level of the poor, Stree Nidhi made a paradigmshift to provide credit for these purposes. Keeping in view increased credit requirements for taking up livelihoods, the loan limit per SHG member was raised to Rs. 1.0 lakh and this was also enabled by policy relaxation from RBI. Stree Nidhi has adopted a strategy to promote and financing livelihoods at house hold level thus focus is laid on House Hold Level planning for extending credit support for taking up micro enterprise/ livelihoods of families' choice after necessary due diligence at SHG and VO/SLF level. It is endeavour of Stree Nidhi to finance livelihood activities/micro enterprises in a big way and therefore is positioned accordingly to support poor in Expansion of existing income generating activities , Taking up New activities and Cluster level activities

- **Types of Loans:** Stree Nidhi has introduced the following three types of loans.
  - **I. General loans** Amount of loan can be accessed up to Rs.25000
  - **II. Micro loans** Where loan amount is >Rs.25,000 to Rs.50,000
  - **III. Tiny loans** Loan amount is >Rs.50000 to Rs.1.00 lakh

General loans can be accessed for both livelihoods of lower order and consumption purposes in the ratio of 70:30 out of the credit limit allocated. These loans can be accessed through IVRS . The credit limits allocated under Micro & Tiny loans can be accessed only for livelihood purposes and application for loans to be made through web portal. Due diligence and appraisal of house hold level plans is done at SHG/VO level and by staff of SERP and Stree Nidhi. The details regarding the member and her family, proposed activity, availability of required raw material, skill & knowledge, capital investment, sources of funds, loan amount required, incremental income expected, repayment capacity, etc., are looked into, while preparing HLP and appraisal of the proposed activity. These loans can be availed only for IGA/Livelihoods/Micro enterprises. The members in SHGs of VOs with A, B grades in MSs with A, B and C grade are eligible for Annual Report 2015-16 27micro and tiny loans. Loan amount is released directly to SB A/C of SHG to which the member is associated. In the EC meeting of VO/SLF of all the requests received from SHGs will be subjected to scrutiny with regard to attendance of member in SHG, savings and repayment history, skills and knowledge in activity, scope for incremental income and loan amount required. Thereafter, VO will take a decision whether the member is eligible for loan and on their request the CC concerned will appraise the activity proposed on the basis of HLP. There is a provision to receive the loan requests in the meeting of OBs held one week after each EC meeting and scrutiny of the requests is done on the above lines. The appraisals thus prepared by CC/Stree Nidhi staff are placed in the next EC meeting for approval. The VO ensures end use of the loan and the same will be recorded in the minutes' book of VO EC meeting. The loan applications and documents from SHGs are preserved at VO/MS and documents obtained from members are kept with the SHGs concerned. A certificate of utilisation has to be uploaded by CC after it is certified by APMand AC within 30 days of loan disbursement. Stree Nidhi staff will verify all the above case independently and certify the utilisation of loans within 45 days of disbursement.

- **Repayment Period**

In order to facilitate the borrowers to repay conveniently, the no. of monthly loan instalments are fixed depending on the loan amount as follows:

Table:3
Repayment Period

S.No.	Loan amount	Repayment period in months
1	Rs.25,000/-	24
2	>Rs.2500 to Rs.35,000	36
3	>Rs.3500 to Rs.50,000	42
4	>Rs.5000 to Rs.1,00,000	60

Source: *RDD-TS annual reports from 2011-12 to 2015-16*

Interest subvention: Vaddi Leni Runalu (VLR)

The scheme of Vaddi Leni Runalu is aimed at twin objectives of reducing interest burden on loans and encourage promptness in repayment of loans by SHGs.The State Govt. is implementing interest subvention scheme, where in the amount of interest paid by the members is reimbursed if the loan instalments (EMIs) is repaid within 30 days from due date. The amount of VLR will be credited to the loan accounts of SHGs as and when the amount is received from the Govt.

a) Stree Nidhi as a channelizing Agency:

Stree Nidhi is functioning as a channelizing agency for releasing credit for implementation of poverty alleviation programmes viz. SCSP, TSP, IWMP & NRLM. Stree Nidhi is managing the funds released by SERP and facilitating disbursement of loans to the members of low income groups identified by SERP. The loan amount will be released to VOs as per the list of the members, activities and loan amount provided by SERP. In turn, the VO will release the funds to SHG members concerned. VOs will take required steps to ensure utilisation of funds by the members concerned for the livelihood activities and to increase their family income. The loans are monitored by SERP. The year wise coverage of members.

Table:4
Loans disbursed as channelizingagency are given in the table below: **(Rs. Cr.)**

S.No	Year	No of Amount	Members Disbursed
1	2013-14	19286	51.15
2	2014-15	30422	74.58
3	2015-16	38363	141.29
Total:		**88071**	**267.02**

Source: RDD-TS annual reports from 2011-12 to 2015-16

Credit Flow – Analysis

a) Disbursement of Loans: The growth rate achieved in loans disbursed is significant year after year. Duringthe financial year 2015-16, the quantumof loans disbursed was Rs.1148.37cr as againstRs.703.29 cr disbursed in the year 2014-15, recording a growth rate of 63.29% year one year. The cumulative disbursement of loans since inception was Rs.2597.46 cr as at the end of March 2016.

b) Coverage of members, SHGs, VOs/SLFs and MS/TLFs : The efforts made to create awareness among the members through SHGs andtheir federations have enabled increase in outreach and credit. The cumulative no. of members having availed loans has reached 12.27 lakh. There was an addition of 4.54lakh members during the year recording an increase of 41.27% over the previous year.The no. of SHGs covered reached was 2.22 lakh and no. of VOs/SLFs and MS/TLF covered was 15153 and 473 respectively.

Table:5
The year wise details of coverage of the members, SHGs,VOs/SLFs and MSs/TLFs in the state of Telangana are as under.

(Rs. lakhs)

S.No.	Year	No. of MS/TLF	No. of VO/SLF	No. of SHG	No. of SHG Members	Amount
1	2011-12	303	2440	7599	25038	3195
2	2012-13	374	7070	47742	181191	29625
3	2013-14	414	8317	62560	229931	41760
4	2014-15	443	9242	88116	336900	70329
5	2015-16	456	12064	126832	454390	114837
Total:		**473**	**15,153**	**2,22,819**	**12,27,450**	**259746**

Source: IRDA annual reports from 2009-10 to 2016-17

c) Loan Product wise Credit flow: During the F.Y 2015-16, Stree Nidhi introduced new loan products namely Micro(>Rs.25000 to Rs. 50000) and Tiny loans (>Rs.50000 to Rs.1,00,000) to enable members to avail loans to meet credit needs of higher order to take up microenterprises/livelihoods. The district wise loans availed are given in the table below:

Table: 6
The district wise loans availed are given in the table below

(Rs Cr.)

S.No.	District Name	General	MICRO	TINY	Total
1	Adilabad	71.24	14.18	0.17	85.59
2	Karimnagar	186.58	59.92	0.83	247.33
3	Khammam	57.93	9.92	0.08	67.92
4	Mahabubnagar	75.63	7.66	0.04	83.33
5	Medak	120.67	28.36	0.66	149.69
6	Nalgonda	111.08	8.06	0	119.14
7	Nizamabad	123.31	34.58	0.18	158.07
8	Ranga Reddy	50.07	8.49	0.14	58.7
9	Warangal	144.85	33.59	0.17	178.61
Total:		**941.36**	**204.75**	**2.26**	**1148.40**

Source: RDD-TS annual reports from 2015-16

d)Financing dairy in 2015-16: Keeping in view the dairy sector's predominant role in augmenting the income of the poor farmers, dairy financing was taken up coordination with the Dept. of Animal Husbandry and DDCF Ltd. Against a projected credit outlay of Rs. 100 Cr. for the purpose, disbursement made was Rs.71.77 Cr. towards purchase of 14,243 graded buffaloes. Financing dairy activity created impact in the villages in providing gainful employment.

Table:7
District wise achievement during 2015-16 is indicated below.

(Rs. Cr.)

S.No	District Name	Achievement during FY - 2015-16	
		No. of Animals	Amount
1	Adilabad	427	2.15
2	Karimnagar	1278	6.36
3	Khammam	644	3.25
4	Mahabubnagar	830	4.2
5	Medak	2856	14.37
6	Nalgonda	1208	6.11
7	Nizamabad	3087	15.51
8	Ranga Reddy	537	2.72
9	Warangal	3376	17.10
	TOTAL	14243	71.77

Source: RDD-TS annual reports from 2015-16

e) Purpose wise credit flow: Credit flow under General loans accounted for 81.97%of the total disbursement; while the share of Micro loans was 17.82% and that of Tiny loans was 0.21% of the total loans disbursed. With regard to no. of members, 90.71% of total members availed General loans, 9.22% Micro loans and 0.07%Tiny loans.

f) Disbursement and loan outstanding: On an average the availment of loan amount and loan outstanding per group were at Rs 0.91 lakh and Rs 0.72 lakh. The average borrowing members per group are at 4.39. The per member average loan availed was Rs 0.25 lakh and per member outstanding was at Rs 0.16 lakh. This indicates that still there is a lot of potential to expand credit portfolio.

Table: 8
Disbursement and loan outstanding (Rs lakh)

S.No	Particulars	Amount
1	Credit flow per SHG	0.91
2	Loan outstanding per SHG	0.72

3	No.of members having loan per SHG	4.39
4	Credit availed per member	0.25
5	Loan outstanding per member	0.16

Source: RDD-TS annual reports from 2015-16

6. CONCLUSION:

From the observation Implementation of appropriate social protection systems, achieving substantial coverage of the poor and the vulnerable with appropriate financial services, including microfinance is expected to build resilience of the poor and vulnerable to face economic, social, environmental shocks and disasters. Stree Nidhi Credit Cooperative Federation Limited., has created niche space in the sphere of microfinance in the country with its low cost credit delivery model and unique features. Through its focus on the poorest of the poor it is able to ensure credit flow to the most neglected sections of the society for alleviation of poverty. Adopting technology and proper systems it is able to deliver credit within 48 hours from the time loan is requested for, which is crucial for the poor. Stree Nidhi has been diversifying and foraying into new services like insurance, business correspondents to facilitate financial inclusion and to provide banking, Meseva and e-Panchayat services at the door step of people. Its focus on livelihood financing is laudable as such an approach only would mitigate poverty. It is a self-sustainable, vibrant and dynamic community owned institution. It has grown from strength to strength achieving a robust growth under all its business parameters year after year emerging as a financially strong institution. It is a matter of great pride that Stree Nidhi has been appreciated by NITI Aayog and is recognised by National Rural Livelihoods Mission as a National Support Organisation to guide other states in establishment of institutions on the lines of Stree Nidhi.

REFERENCES:

1. Chatterje Shankar (2015) “Rural Development Programmes in India” RBSA Publishers, Jaipur. government of Telangana, “Annual Report (2015-16) of Rural Development”, Hyderabad.
2. Umesh Chandra Sarang, “SHG – Bank Linkage Programme Completes 18 Years of Progress”, The Financial Express – Microfinance World, Jan. – Feb. – March, 2010.
3. Virendra Kumar, R.K. Sarma and H.R. Sharma, “Impact of Microfinancing on Employment, Income and Empowerment – Micro Evidence, Vol. 40, No.1, January-February
4. Shankar Chatterjee, “Net working SGSY, Bankers and SHGs Initiatives in Uttar-Pradesh”, Kurukshetra Vol. 21(4), February 2003.Dr. Patel, A ., “Micro-Credit and Role of Banks; Need for initiatives and commitment”, Kurukshetra, February 2004.

Journals

5. SHG Women Seek Streenidhi Loans- The Hans India.Com
6. Telangana Streenidhi Corporation Fededration.Limited
7. Stree Nidhi Annual Report 2015-16
8. Annual Reports of RD From 2011-12 To 2016
9. Annual Reports of LIC From 2009-10 To 2016-17.
10. IRDA (Micro-Insurance) Regulations (2005), The Gazette Of India

Web References

- http//inindamicrofinance.com
- www. streenidhi.telangana.gov.in/

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

A STUDY ON NON PERFORMING ASSETS OF DOMESTIC SCHEDULED COMMERCIAL BANKS

Mr.S Joshuva Daniel
Asst.Professor, KLR College of Business Management, Paloncha, India

Abstract: *Banking sector has occupied a lion share in the Indian financial system and schedule commercial banks leas the banking sector with 92%, however in recent years Banking sector is undergoing a serious issue relating to Non Performance Assets (NPA). NPA reflects the performance of banks, The earning capacity and profitability of the banks are highly affected because of existence of NPA. The public sector banks are performing better than private sector banks in relation to financial operations, however in comparison with NPA private sector banks are better than public sector banks. An attempt is made in this paper to analyze how domestic scheduled commercial banks managed their NPA.*

Key words: NPA, Public sector Banks, Private sector Banks,

1. INTRODUCTION:

Banks play a pivotal role in the economic development of the nation; the health of the economy is closely related to the soundness of its banking system. If there would be no banks then a great portion of a capital of the nation would remain idle. Banking sector is the foundation for the development of the nation. Indian financial system is dominated by Banking Industry, It has occupied a lion share with 63% in the Indian financial system and scheduled commercial banks which include Public, Private and Foreign banks dominate the banking sector with 92%.(Dr.Duvvuri Subbarao, Ex-Governor of RBI at FICCI-IBA Annual Baking conference Mumbai on August 13th 2013) In recent years the banking sector has undergone many changes after the first phase of economic liberalization in 1991. prior to that liberalization importance towards Asset quality and Risk management was minimum but focus was on opening of new branches, priority sector lending, development of rural credit etc. While the primary function of the banks is to mobilize deposits and disburse credit to various sectors of the economy but in recent times banks have become very watchful and cautious in extending loans, one of the reasons for this is mounting of nonperforming assets(NPA's) and now a days this has become major concerning issue for banks in India, while credit growth is one of the drivers of economic growth but NPA's are value destroying of the economy. The Narsimham committee report notes 'no other singles indicator reflects the quality of assets and their impact on banks viability than the NPA figure in relation to advances. After the recommendations made by the Narsimham committee in 1991 it was found the Indian commercial banks were burdened with large amount of NPA's due to which banks financial health has become fragile. The concept of NPA emerged as a contemporary issue when Reserve Bank India implemented prudential norms in the year 1992-93. The RBI designed several channels of recovery such as Lok Adalats, Debt Recovery Tribunals (DRTs), Securitization And Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) act,2002.Even after taking various initiatives, management of NPAs still remain an area of concern , the rise in NPAs was reflected in the increased amount of provisioning by banks. Government of India in August,2015 launched a seven pronged plan called 'Mission Indradhanush' to resolve issues faced by Public sector banks and to bring down the NPAs of Public sector banks. The 7 fundamentals of the plan include Appointment, Board of Bureau, Capitalization, De-stressing, Empowerment, Governance, Reforms and frame work of accountability.(Rajesh Goyal,2015). Recovery of banks NPAs remain poor having declined to 20.8 percent by the end march 2017 from 61.8 percent in 2009(Report on Trend and Progress of Banking in India 2017)

What is NPA?

Non Performing assets (NPA) are loans given by a bank or a financial institution wherein the borrower defaults or delays interest or principal payment. According to the RBI norms any interest or loan repayment delayed beyond 90 days has to be identified as non Performing assets, under prudential norms laid down by the RBI a bank cannot book interest on NPA on accrual basis but should be booked only when it is actually received in respect of such accounts. If any credit facility granted by bank to a borrower become non performing then the bank will have to treat it as non performing without having any regard to the fact that there may still exist certain credit facilities having performing status. Prior to the prudential norms, an asset was considered as non performing if the installment or the interest of the principal remained unpaid for more than 180 days but this has been brought down to 90 days with effect from 31st March, 2004(Nitin Gupta & Dr.Kesari,2016)

Classification of NPA

Nonperforming assets are classified according to the duration of nonpayment of interest and principal amount as

- *Standard Assets*: standard assets are the one in which the bank is receiving interest as well as the principal amount of the loan regularly from the customers. It is important in this case that the arrears of interest and the principal amount of loan do not exceed 90 days at the end of financial year.
- *Sub Standard Assets*: With effect from 31st March 2005, a sub standard asset would be the one which has remained NPA for a period less than or equal to twelve months
- *Doubtful Assets*: A loan is classified as doubtful if it remains in the sub standard category for twelve months
- *Loss Assets*: A loss asset is the one which is considered as uncollectible and of such little value that its continuance as a bankable asset is not warranted, these assets would have been identified as loss assets by the bank

2. REVIEW OF LITERATURE:

M.Karunakr, Mrs. K. Vasuki and Mr S Saravanna (2008) in their article " Are non performing assets Gloomy or Greedy from Indian perspective" described about measures to control NPAs through preventive management methods like credit assessment and risk management mechanism, organizational restructuring, Reduce dependence on interest etc.and concluded that it is better to avoid NPAs at the nascent stage of credit consideration by putting in place of rigorous and appropriate credit appraisal system,

C.S. Balasubramaniam(2013) in his paper Nonperforming Assets and profitability of commercial banks in India Assessment and emerging issues described the impact of NPA is adverse on profitability and liquidity of the banks and concluded that by adopting good credit appraisal procedures effective internal control system and bring down NPA

Satpal (2014) in his article " A comparative study of Nonperforming Assets in Public and Private sector banks in the New age technology" has described what it meant by NPA, classification of NPA, Provisioning norms for NPAs, Factors for rise of NPA,Impact of NPA, he used three public sector and 3 private sector banks as a sample for the period of 5 years from 2009-13 and concluded that the problem of NPA is not only for the banks but also for Economy. The NPAs level of Indian banks is still high as compared to foreign banks; the problem of recovery is not with small borrowers but with large borrowers.

Nitin Gupta & Dr.Kesari (2016) in their paper " A study on Non performing Assets of public and private Sector banks in India made an attempt to show various methods implemented by the RBI in order to reduce NPA, in their study during the period 2006-2015 by using Ratio analysis technique they concluded that NPA is comparatively is high in case of Public sector banks. It was observed that implementation of prudential norms during the year 2002 with regard to reduction of grace period from 180 days to 90 days, implementation of SARFAESI act, formation of Debt Recovery Tribunal, Lok Adalats also pushed banks to improve their performance. They suggested that banks should strengthen their credit rating mechanism to ascertain the paying capacity of the borrower.

D.Jayakkodi & Dr.Rengarajan (2016) in his article "A study on non performing assets of Select Public and Private Sector Banks in India described that the earning capacity and profitability of the banks are highly affected because of the existence of NPA. Their study was based on four public and 4 private sector banks, the period of study was during the years 2011-15.They have used certain statistical tools for analysis purpose and observed that Public sector banks have higher NPA than Private sector banks, and Gross NPA ratio of private sector banks shown declining trend during their period of study and they suggested that the bank management should speed up the recovery process.

Dr.Mohammad Miyan(2017) in his paper " A comparative statistical approach towards NPA of PSU and Private Sector Banks in India" made an attempt to analyze the trend of NPA of sample banks like SBI, PNB,HDFC,ICICI banks during the years 2012 to 2016 by using various ratios and concluded that NPA of Public sector banks are higher than private sector banks. The core banking management of private sector banks is more professional much competent and expertise than the public sector banks, Public sector banks are required to lend money to the poorer sections of society, where the recovery chances is very low.

2.1. OBJECTIVES OF THE STUDY:

The objectives of the study are:

- To study and compare the trends in NPAs in domestic scheduled commercial banks
- To study the sector wise distribution of NPAs in domestic scheduled commercial banks
- To Analyze NPA recovery system followed by domestic scheduled commercial banks

3. RESEARCH METHODOLOGY:

The study was conducted to evaluate the incidence of NPA in domestic scheduled commercial banks in India .i.e. Public and Private sector banks of India. The study is based on secondary data, most of the data is collected from RBI publications, Bulletin and Reports namely, Report on Trend and Progress of Banking in India, and some portion of data is extracted from the site moneycontrol.com. The scope of the study is limited to the analysis of NPAs in domestic scheduled commercial banks over the period 2012-13 to 2016-17 years. Ratio analysis has been used for analyzing the trends in NPAs .The observations of the study have been presented in the form of tables and charts to make the comparative analysis of public and private banks in India.

4. ANALYSIS:

Ratio analysis method was used to analyze the trend of NPAs, the main ratio like Gross NPA to Gross Advances ratio, Net non performing assets to Net advances ratio.

Gross NPA

Gross NPAs is advance which is considered irrecoverable for which bank has made provisions and which is still held in banks books of accounts. It consists of sub-standard, doubtful and loss assets. It can be calculated with the following formula

$$Gross\ NPAs\ Ratio = \frac{Gross\ NPA}{Gross\ Advances}$$

Net NPA

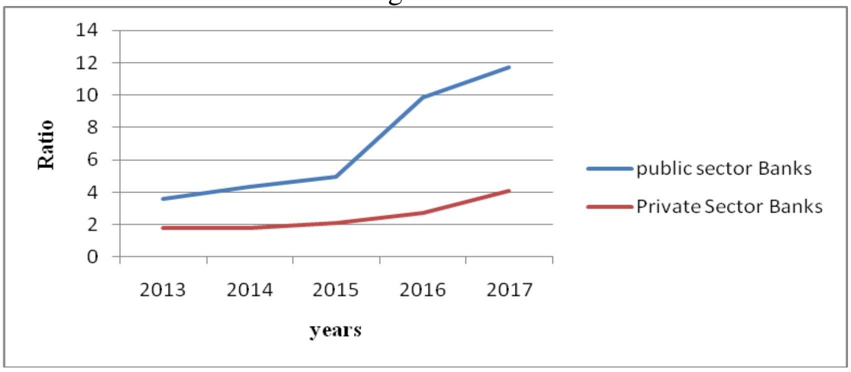
Net NPAs are those in which bank deducts the provisions regarding NPAs. Net NPA shows the actual burden of banks. It can be calculated with the following formula

$$Net\ NPAs\ Ratio = \frac{Gross\ NPA - Provisions}{Gross\ Advances - provisions}$$

Table1
Gross NPA to Gross Advances Ratio

Name of the Banks/Years	2013	2014	2015	2016	2017
public sector Banks	3.61	4.36	4.96	9.83	11.7
Private Sector Banks	1.77	1.78	2.1	2.7	4.1

Figure1

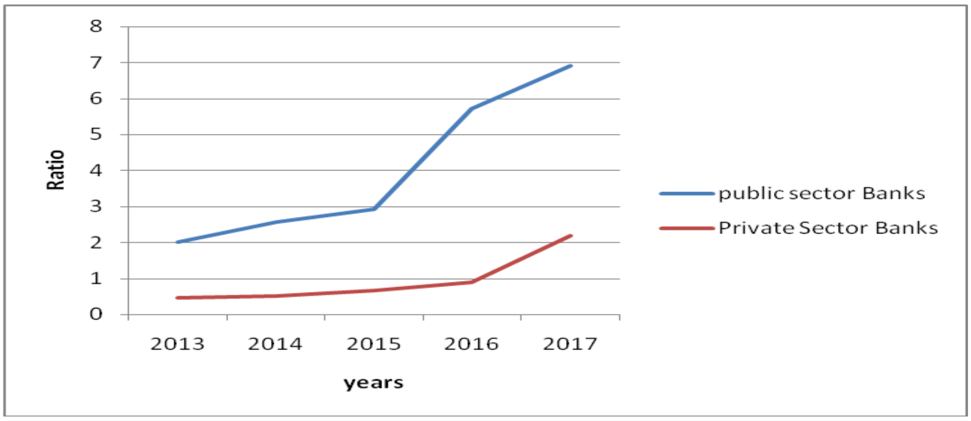


From the table1 it can be seen that the public sector banks Gross advances ratio during the year 2013 was 3.61 and it was continuously rising during the period of study and in the year 2017 it was 11.7 where as the Gross NPA ratio for private sector banks was 1.77 in the year 2013 and it went up to 4.1 in the year 2017. From the figure 1 it is clearly observed that private sector banks are performing better than public sector banks. According to CRISIL report August 2017 public sector banks are more stressed than private sector banks, the IDBI bank with Gross NPA ratio of 24.11 and Indian overseas Bank with Gross Npa ratio of 23.6.but in the private sector Yes Bank stands with lowest Gross Npa ratio of 1%.The asset quality of banks deteriorated further during the year 2017 although much lower for private sector banks their GNPA rose sharply during the year 2017

Table 2
Net NPA to Net Advances

Name of the Banks/Years	2013	2014	2015	2016	2017
public sector Banks	2.01	2.56	2.92	5.7	6.9
Private Sector Banks	0.46	0.52	0.66	0.89	2.2

Figure 2
Net NPA Ratio



From the table2 it can be seen that Net NPA to net advances ratio , the public sector banks had net NPA ratio of 2.01 in the year 2013 and it was continuously growing during the period of study and went up to 6.9 in the year 2017, the private sector banks had Net NPA with 0.46 in the year 2013 and went up to 2.2 in the year 2017.In an ideal and healthy scenario the Net NPA of the bank should be close to zero, if any individual bank has Net NPA in negative then it is a good sign, from the figure 2 it is clear that the private sector banks are better than public sector banks with low Net NPA ratio

Sectoral NPA

Several channels of recovery was established by RBI to reduce the NPAs over a period of time and it is basically there are three channels like Lok Adalat, DRTs and SARFAESI act, the Lok Adalat organized by civil court to effect a compromise between disputing parties in matters pending before any court, court handle case up to a ceiling of Rs 20 lakhs. The Debt Recovery tribunals have been established by the government of India in the year 1993 for expeditious adjudication and recovery of debts due to banks and financial institutions. The Securitization and Reconstruction of Financial assets and Enforcement of Securities Interest Act 2002,(SARFAESI act) which allows the banks and other financial institution to auction residential or commercial properties of the default borrower to recover loans

Table 3
NPAs of Scheduled Commercial Banks Recovered through Various Channels (Amount in ` Billion)

Year	Sr No.	Recovery Channel	Lok Adalats	DRTs	SARFAESI Act	Total
2012-13	1	No. of cases referred	840691	13408	190537	1044636
	2	Amount involved	66	310	681	1057
	3	Amount recovered	4	44	185	233
	4	% of amt recovered	6	14	27	22
2013-14	1	No. of cases referred	1636957	28258	194,707	1859922
	2	Amount involved	232	553	953	1738
	3	Amount recovered*	14	53	253	320
	4	% of amt recovered	6	10	27	18
2014-15	1	No. of cases referred	2958313	22004	175355	3155672
	2	Amount involved	310	604	1568	2482
	3	Amount recovered	10	42	256	308
	4	% of amt recovered	3	7	16	12
2015-16	1	No. of cases referred	4456634	24537	173582	4654753
	2	Amount involved	720	693	801	2214
	3	Amount recovered	32	64	132	228
	4	3 as per cent of 2	4	9	17	10
2016-17	1	No. of cases referred	2152895	28902	80076	2261873
	2	Amount involved	1058	671	1131	2860
	3	Amount recovered	38	164	78	280
	4	% of amt recovered	4	24	7	10

Source:RBI Various Issues

Table 3 clearly indicates that among several channels of recovery available with banks for dealing with bad loans SARFAESI act proved to be most effective with recovery of 27 percent in the year 2012-13 but during the year 2016-17 banks have recovered their bad loans of about of 24% through DRTs method. The total recovery of bad loans was decreasing year by year which is not a good indicator for the banking sector during the year 2012-13 through all these channels banks could recover 22% of bad loans but in the financial year 2016-17 banks could only recover 10%.

Table: 4
Sector wise Nonperforming Assets Amt in Billions

Year	Public sector				Private Sector			
	Priority		**non priority**		**Priority**		**Non Priority**	
	Amount	**% to total**	**Amount**	**% to total**	**Amount**	**% to total**	**Amount**	**% to total**
2013	669.00	42.9	890.00	57.1	52.00	26.0	148.00	74.0
2014	791.92	36.5	1,375.47	63.5	60.55	26.6	166.89	73.4
2015	936.85	35.7	1,690.60	64.3	72.11	22.8	243.65	77.2
2016	1,281.16	25.5	3,739.52	74.5	101.39	21.0	382.41	79.0
2017	1,542.76	24.1	4,867.80	75.9	132.93	18.0	605.49	82.0

Source:RBI various Issues

The table 4 depicts sector wise nonperforming assets, in the year 2013 public sector banks had NPA of Rs 669 billion from priority sector which was 42.9% of total NPA and Rs 890 billion from non priority sector which was 57.1% of total NPAs, where as in the private sector banks there was only 26% of NPA is from priority sector with Rs 52 billion and 74% of NPAs is from non priority sector with Rs 148 billion. It is very clear from the above table that in the year 2013 public sector banks NPAs from priority sector is more in comparison with private sector banks, the reason for this is Public sector banks are required to lend money to the poorer sections of the society, where the recovery chances are low but the rend trend shows that form the year 2014 onwards the priority sector lending declined and in the year 2017 the priority sector lending NPA was 24% of total NPA with Rs 1542.76 billion, where as private sector banks lending towards priority sector has much declined from 26% in the year 2013 to 18% in the year 2017. The priority sector lending comprises Agriculture towards farm credit, Agriculture infrastructure, Micro small and Medium Enterprises, Export credit ,Education ,Housing, Social Infrastructure, Renewable energy etc.During the year 2016 and 2017 the NPA from agriculture was around 8.5% of total priority lending in Public sector and it was 8% of total priority sector lending in the private sector banks and NPAs from Micro and small Enterprises it was around 12% of total priority sector lending in public sector and it was 9% of total priority sector lending in private sector. The alarming situation is that Non priority sector NPAs is rising to much extent in both public and private sector banks in the year 2017 the NPAs from non priority sector was Rs 4,867.8 billion with 75.9% in public sector banks and it was 82% in private sector banks with Rs 605.49 billion.

6. CONCLUSIONS:

Form the above analysis it is concluded that public sector banks NPAs is much higher than private sector banks. The Gross NPA ratio of public sector banks was 11.7 where as the private sector banks it was 4.1 in the year 2017.The Net NPA ratio of public sector banks was 6.9 where as it was 2.2 in private sector banks in the year 2017
The recovery of NPAs through Lok Adalat, DRTs, SARFAEI act has worked initially better during the years 2009 to 2013 but latter the recovery was declined during the year 2017 only 10% of bad loans were recovered which were addressed to these channels. Public and private sector banks have reduced extending loans to priority sector and there by NPA from priority sector were reduced but alarming situation is that nearly 3/4th of the banks NPAs is occurring through Non priority sector.

7. RECOMMENDATIONS:

The public sector banks should follow certain norms like private banks for reducing the Net NPA and banks should strive to bring Net NPA ratio to zero which would be a good sign, banks should improve and stabilize corporate governance, asset quality and minimize overdependence on public funds. Banks should strengthen their credit rating mechanism in order to identify the paying capacity of the borrowers. The banks should speed up the recovery process and government should make provisions for further settlement of pending cases.RBI should revise credit appraisal and monitoring system

REFERENCES

1. Anju Barge (2012): “NPA Management in Banks: An Indian perspective” IBMRDS Journal of Management and Research ,vol 1 (88-91)

2. C.S.Balasubramaniam(2013): "Non performing Assets and profitability of commercial banks in India: Assessemt and Emerging issues", National monthly referred journal of Researh in commerce and management, Vol 1, NO.7(41-52)
3. Satpal(2014): A comparative study of nonperforming Assets in public and private sector banks in the New age of Technology" International Journal of Current Engineering and Technology, Vol 4.No.4 (2468-2475)
4. Vivek Rajbahadur singh(2016): A study of Non Performing assets of commercial banks and its recovery in India Annual Research, Journal of SCMS, Vol 4 (110-125)
5. D Jayakkodi & Dr. P Rengarajan (2016) : " A study on non performing Assets of select public and private sector banks in India", Intercontinental journal of Finance Research Review , vol 4, No9,(63-69)
6. Nitin Gupa & Dr.Kesari (2016): " A study on Non performing Assets of Public and Private sector Banks in India", International Journal of Engineering Technology, Management and Applied Sciences, Vol 4 No.9 (174-180)
7. Dr Mohammad Miyan(2017): "A comparative statistical approach toward NPA of PSU and private sector Banks in India", International Journal of Advanced Research in computer science, vol 8 No.1(46-52)
8. RBI (2013), "Report on Trend and progress of Banking in India"
9. RBI(2014), "Report on Trend and progress of Banking in India"
10. RBI (2017) , "Report on Trend and progress of Banking in India"

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

CRYPTO -CURRENCIES ARE A DREAM FOR CYBER CRIMINALS

PAKKI ROJA
Assistant Professor in Commerce, Gayatri Vidya Parishad College for Degree and P.G. Courses (A)
MVP Campus, Visakhapatnam.

Abstract: *Crypto –currencies are a variety of digital currencies which are completely electronic funds not issued or backed by any government or central bank. The internet is a public network and financial transaction that is sent on this network could be trapped or altered at numerous locations. It has significant risks like spoofing and phishing payment information, loss of a wallet file, payment gateway hacking etc. Due to lack of regulations and legal frameworks there is not much that can be done against such crimes. This paper mainly covers the general aspects of crypto- currencies, its security issues and precautionary measures for crypto currency investors. The silence of the RBI on the regulatory status of crypto-currencies may prove to be damaging. Timely regulation can help bring developing India into the global economic frame. In general, experts believe that if the world banks would jointly solve all the problems, the crypto-currencies will have a real chance of life.*

Keywords: *Crypto -currency, Virtual Currency, Digital Currencies, Cyber Security, Payment Gateway Hacking, Bit coin.*

1. INTRODUCTION:

The word ‘crypto’ comes from the Greek word meaning ‘hidden’; ‘crypt’ translates as ‘hiding place’. And therein lays the origin of crypto currencies, which are a form of private, hidden and secure money. (1) Crypto currencies are highly secure electronic currencies that run on block chain technology. A digital currency in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a central bank.(2) Crypto currency, often referred to as “virtual currency” or “digital currency,” operates as a borderless, decentralized medium of financial exchange and value storage backed primarily by user consensus.

1.1. Types of crypto currencies:

- *Transactional Crypto currencies*: This is the original category for crypto currencies designed to be used as money and exchanged for goods and services. Example: Bit coin , lit coin etc
- *Utility Crypto currencies*: This is designed for a particular task. Example: Ripple (XRP) is designed to facilitate fiat money transfer in an economical and highly efficient manner
- *App/Platform Cryptocurrencies*: Platform cryptocurrencies are designed to eliminate middlemen, create markets, and even launch other crypto currencies.
  Example: Ethereum is a decentralized platform that is used to run smart contracts. A smart contract is an application that runs exactly as programmed without the possibility of fraud, censorship, or even downtime.

CRYPTO CURRENCIES	
ADVANTAGES	DISADVANTAGES
1. Easy access 2. Quick and easy payments 3. Costs less 4. Private 5. Highly secured 6. Remain anonymous 7. Your details are safe 8. No chargeback’s 9. No third party 10. No boundaries 11. No inflation 12. Transparency.	1. Strong volatility 2. Difficult to understand 3. Lack of knowledge 4. Not accepted widely 5. Can lose your wallet 6. No way to reverse the payment 7. Uncertainty

2. LITERATURE REVIEW:

S.No.	AUTHOR/YEAR	CONTRIBUTIONS
1.	Chaum 1983	Cryptocurrency research was started.
2.	Chaum 1988	The first digital currency system drawn. Chaum et al.
3.	Hiroshi Yamaguchi 2004	Analyzed eBaying, in his paper “An Analysis of Virtual Currencies in Online Games”.
4.	Nakamato, 2008	The first cryptocurrencies was introduced by a person or a group under the pseudonym Nakamoto Satoshi in a white paper in 2008.
5.	Hernandez-Verme and Benavides 2013	In his paper “Virtual Currencies, Micropayments and the Payments System: A Challenge to Fiat Money and Monetary Policy” tried to analyse virtual currencies and their possible inclusion in standard Economic Theory, especially in Monetary Dynamic General Equilibrium models.
6.	Velde 2013	The easy handling of money and the online transaction could be considered as the strengths of the currency.
7.	Trautman 2014	Crypto currencies are a subset of digital currencies, which may have either have centralized institutions or are based on a decentralized network.
8.	Bryans 2014	For a centralized currency scheme, the digital currency is issued by one institution, which ensures that the digital coins can be exchanged back to fiat currencies or can be used to buy and sell (digital) goods.
9.	Jan Lansky 2018	A cryptocurrency is a system that meets all of the following six conditions: 1. The system does not require a central authority, distributed achieve consensus on its state. 2. The system keeps an overview of cryptocurrency units and their ownership. 3. The system defines whether new cryptocurrency units can be created. If new cryptocurrency units can be created, the system defines the circumstances of their origin and how to determine the ownership of these new units. 4. Ownership of cryptocurrency units can be proved exclusively cryptographically. 5. The system allows transactions to be performed in which ownership of the cryptographic units is changed. A transaction statement can only be issued by an entity proving the current ownership of these units. 6. If two different instructions for changing the ownership of the same cryptographic units are simultaneously entered, the system performs at most one of them.

2.1.OBJECTIVES:

This paper focuses uniquely on:

- Findings on the security issues connected by the crypto currency till date,
- Crypto currencies uses and misuses in the society, and
- The analysis for the crypto currency being boon or bane for the society.

3. RESEARCH METHODOLOGY:

This paper used both primary and secondary data.

Primary data: Under primary data unstructured interview was conducted with relevant persons from different sectors in local area to know their view point about crypto currencies.

Secondary data includes:

- Information collected through government reports like RBI, SEBI, taxation
- internet searches for published and peer-reviewed documents
- Open-source reports.

- crypto currency user forums and conferences

2. SECURITY CONCERNS:

This section focuses on security concerns related to crypto currency with the information obtained from scams, experiences and perceptions. The RBI's deputy governor Shri R Gandhi addressed crypto currencies and crowd funding, saying both had disruptive potential, but needed to be controlled in order to avoid undesirable consequences. The RBI has so far issued three notifications pertaining to bitcoin and other virtual currencies (VC). In all these, starting December 2013, the RBI has cautioned users, holders and traders on the risk of these currencies and clarified that it has not given any licence or authorisation to any entity or company to operate such schemes or deals. In a December 2013 notification, the RBI said, "The creation, trading or usage of VCs including Bitcoins, as a medium for payment are not authorised by any central bank or monetary authority. No regulatory approvals, registration or authorisation is stated to have been obtained by the entities concerned for carrying on such activities."(3)

- **DARK WALLET:**

Dark wallet is an online wallet that is intended to make bit coin transactions difficult to monitor and trace. It is a money laundering software. It offers anonymity and privacy to its users in two ways:

a) Stealth addresses and
b) Coin mixing.

- **DEEP WEB/DEEP WEB/HIDDEN WEB/INVISIBLE WEB:**

Deep Web is a part of the Internet that cannot be accessed through standard search engines. The Dark Web is much smaller than the Deep Web. These websites require special software to access called 'The Onion Browser,' referred to as TOR. It host to hundreds of underground markets that sell all kinds of illicit products and services, like drugs, weapons and even hire assassins.

Case study:

1. Nov 9, 2017: Delhi Police accused two people of operating a drug ring, according to the Daily Mail India edition. They used bitcoin to purchase 3,635 USD i.e. Rs 2.36 lakh worth of illegal drugs on the dark web.(4)

2. August 2015: It was reported that 10GB of data stolen from Ashley Madison, a site designed to enable bored spouses to cheat on their partners. They blackmailed the users demanding to pay $2500 in Bitcoin or have the infidelity exposed.(5)

- **PHISHING**: Cybercriminals use phishing technique for retrieving personal information, such as passwords or credit card, social security, and bank account numbers of users. They do this by sending you fake emails or directing you to a fake website.

Case Study:

1. December 2016 : Fake zebpay twitter account scams users for bitcoin through online survey.

Official	Fake
@ZebPay	@zepbay

2. February 15, 2018: Phishing through Google Adwords ad.

A cybercrime gang based in Ukraine is estimated to have made as much as $50 million in the past three years after tricking Bitcoin investors into handing over the login credentials for their online wallets.

Security researchers at Cisco Talos describe how a massive phishing operation has been co-ordinated, after criminals purchased Google Adwords posing as online ads for the legitimate and popular blockchain.info Bitcoin wallet website.(6)

- **FAKE WALLETS/APPS:**

  Apps that look alike the real apps have surfaced and user funds getting stolen after downloading. Over 10,000 People Have Downloaded Fake Crypto currency Apps. (7)

Case Study:

1. DECEMBER 20, 2017: GOOGLE REMOVES THREE FAKE BITCOIN WALLET APPS FROM GOOGLE PLAY

   1.Bitcoin Mining

   2.Blockchain Bitcoin Wallet – Fingerprint

   3.Fast Bitcoin Wallet

2. November 15, 2015: [Fake LocalBitcoins Android App is Phishing For Bitcoins]There have also been cases where QR codes and bitcoin addresses have been changed by malicious Browser Extensions.

- BITCOIN PONZI SCHEMES, HIGH-YIELD INVESTMENT PROGRAMS OR MLM:

  A ponzi scheme is a fraudulent investment operation in which returns for older investors are paid from money received from new investors, instead of profits from a legitimate business activity.

Case Study:

1. September 18, 2014: a United States District Court in Sherman, Texas entered final judgment against Trendon T. Shavers and Bitcoin Savings and Trust ("BTCST"), the online entity Shavers created and used to operate his Ponzi scheme, and through which he defrauded investors out of more than 700,000 bitcoins. The Court's judgment requires Shavers and BTCST to pay more than $40 million in disgorgement and prejudgment interest, and orders each Defendant to pay a civil penalty of $150,000.

2. December 15, 2017 : **Kashh Coin**

A 32-year-old man, Narender alias Sonu Dahiya, hailing from Sonipat in Haryana,was arrested from Rithala yesterday who allegedly duped people by luring them into investing in a newly-launched crypto currency,"Kashhcoin", was arrested by Delhi Police'sCrime Branch. The investigators found that the accused organised lavish seminars in different places including Nepal, Mumbai, Gujarat, Chandigarh, Raipur and Nagpur for business promotion. On the website, the company claimed to provide "all residents of earth" with sufficient number of coins to achieve independence from other money. It stated, "There is a finite number of KASHH Coins. The maximum amount of KASHH Coin is 2,515,020,000 and, unlike money issued by government, KASHH Coin can't be affected by inflation and are impossible to counterfeit." The gang promised a return of 10% for five years to their buyers, apart from the "shooting rate" of the cryptocurrency, which they claimed would soon cross the rate of Bitcoin. Initially, each Kashhcoin was priced at $0.05(INR 3.5).The gang sold KASHH coins worth Rs 50 crore.(8)

3. **Laxmi Coin:** A website selling the cryptocurrency, in the shape of a gold coin with an image of goddess Lakshmi embossed on it, claims it is promoting these as part of the 'Make in India' and 'Digital India' initiatives. It already has over 2 lakh registered users who have invested more than a crore of rupees buying these coins. This coin is not authorised by RBI nor does it fall under the Digital India initiative," DCP (crime branch) Bhisham Singh told The Print. (9)

4. In April 2017, the Mumbai police unearthed a Rs 75-crore ponzi scheme involving an alleged cryptocurrency called OneCoin. A similar operation involving something called ATC coin was busted in October.(10)

- **BITCOIN MINING AND CLOUD HASHING SCAMS:**

Mining is the process of adding transaction records to Bitcoin's public ledger of past transactions. It is also the mechanism used to introduce Bitcoins into the system: Miners are paid transaction fees as well as a "subsidy" of newly created coins. Mining scams usually have companies selling mining equipment that is paid for in advance but is usually never delivered.

Case Study:

SEPTEMBER 23, 2014: FTC SHUTS DOWN BUTTERFLY LABS. THE MINING EQUIPMENT COMPANY FAILED TO DELIVER TENS OF THOUSANDS OF COMPUTERS, AND DELIVERED OTHERS SO LATE THEY WERE OBSOLETE.

- **TIMEJACKING ATTACKS:**

  By announcing inaccurate timestamps when connecting to a node, an attacker can alter a node's network time counter and deceive it into accepting an alternate block chain. This could significantly increase the chances of a successful double-spend, drain a node's computational resources, or simply slow down the transaction confirmation rate.

- **SELFISH MINING**:

  Solo mining is a solo process where the miner completely does his task of mining operations without any helping hand. This process is mainly done alone without joining a pool. These blocks are mined and generated in a way to the task completed by the miner's credit to earn more revenue.

- **MAJORITY ATTACK**:

  A majority attack (usually labeled 51% attack or >50% attack) is an attack on the network. This attack has a chance to work even if the merchant waits for some confirmations, but requires extremely high relative hash rate. The recent research at Cornell University shows that '>50%' attack is feasible since single mining pools in network sometimes control 25%-33% of mining power.

- **HACKING:**

  Hacking is unauthorized intrusion into a computer or a network. The person engaged in hacking activities is generally referred to as a hacker. They attacked several components of the Bitcoin ecosystem, including exchanges, marketplaces, personal wallets, wallet providers, and mining operations. In less than a decade, hackers have stolen $1.2 billion worth of Bitcoin and Ether, two of the most popular digital currencies, according to Lex Sokolin, global director of fintech strategy at Autonomous Research LLP. Some of the biggest thefts are listed below:

SOME OF THE BIGGEST THEFTS SINCE 2012.

S.No.	DATE	ORGANISATION	PLACE	INCIDENT	COUNTER-ACTIONS
1.	December 2017	NiceHash a crypto mining market place	Slovenia	$60 million worth bitcoin stolen	-the firm added extra security measures.
2.	November 2017	Parity Wallet	London	$155 million worth ETH lost. White Hat Group exploited a bug and stolen $30 million through exchanges.	
3.	July 2017	COINDASH	Israel	$7 million worth Ether lost i.e **37,000 ETH during the company's ICO last year.**	**-terminated its token sale.** **-20,000 ETH returned by the hacker in February 2018.**

4.	June 2017	bithumb	Korea	Hackers succeeded in grabbing the personal information of 31,800 Bithumb website users,	**fined $ 55000 by the South Korean Communications Commission in December 2017.**
5.	August 2016	BITFINEX	Hong Kong	120,000 units of bitcoin, worth $72 million stolen.	**The exchange repaid all customers**
6.	January 2015	BITSTAMP	Luxembourg	phishing attempt $5m in bitcoin stolen	**-temporarily suspended service as security precaution.**
7.	February 2014	MT.GOX	Shibuya, Tokyo, Japan	744,408 bit coins stolen worth $460 million -in February 2014, Mt. Gox suspended trading, closed its website and exchange service, and filed for bankruptcy protection from creditors.	-200,000 bitcoins recovered -Investigations by Wizsec, a group of bitcoin security specialists, had identified Vinnik as the owner of the wallets into which the stolen bitcoins had been transferred, many of which were sold on BTC-e.

PRECAUTIONARY MEASURES FOR CRYPTO CURRENCIES INVESTORS:

Investing in crypto currencies is an excellent way to multiply your money. Some precautionary measures are:

- **Invest only what you can afford to lose.**
- **Do Not Use Web Wallets as they are hosted by the third party and are a magnet for hackers.**
- Store Private Keys Offline
- Make Use of Hardware Wallet. Example:Trezor
- For higher ROI buy at dips
- Back up your backup
- Find a reliable exchange
- Choose the Right Currencies
- Study the Market
- Run high-quality antivirus protections to protect the devices you use to access cryptowallets, trade on crypto-exchanges, and so on.

CRYPTO CURRENCIES AND DEVELOPING COUNTRIES:

Crypto currency is also offering opportunities to weaker sections of the society. These technologies give them a way to have a global bank account that can be accessed through an open source wallet, via the internet. With 70% of the world's population expected to have a smartphone by 2020 and undertakings such as Google's Project Loon striving to bring further internet access to developing countries, there are growing opportunities for these people to have access to banking services through Bitcoin. This can help them to improve their financial circumstances.

Case study:

Bit coin is already providing financial services to groups of women in Afghanistan, Pakistan, and Egypt, where access to financial goods and services is limited due to social and economic inequalities. Roya Mahboob, co-founder of the Women's Annex Foundation, and member of the 2013 Time Magazine "100 Most Influential People in the World," is leading a women's digital literacy program that leverages Bitcoin to financially empower women and children who do not have access to the traditional banking sector.429 According to data provided by the Women's Annex Foundation, "2,900 top female students from Afghanistan, Pakistan, and Egypt are generating up to $3.84 per person per day" participating in digital currency-related programs that circumvent gender exclusive banking services.

Advantages

- Safety from corrupt governments and central banks

- Deflationary
- Bank the unbanked i.e no need for bank accounts with lots of paperwork
- Works with even the modest internet connections as opposed bank apps that need 4G and powerful smart phones
- Works 24/7
- Low transaction fees
- help fight Corruption

Disadvantages

- Need to be tech savvy.
- Need at least a moderately powerful smartphone and basic internet connection.
- Highly volatile
- Small transactions couldn't be worth the high miner-fees for faster transactions i.e transaction backlogs
- Cash is simply easier to handle.

CRYPTO CURRENCIES AND INDIA

The government does not recognize crypto currency as legal tender or coin and will take all measures to eliminate the use of these crypto-assets in financing illegitimate activities or as part of the payment system," Arun Jaitley told lawmakers in New Delhi, according to a transcript by The Hindu newspaper. The Indian government has issued repeated warnings against digital currency investments, saying these were like "Ponzi schemes" that offer unusually high returns to early investors. Its popularity has shown an exponential rise in the past few years. There are many leading Indian exchanges that trade in various crypto currencies such as Zebpay, Unocoin, Coinsecure and many more. India is working on to launch its very own crypto currency "Laxmicoin" in the market avoiding the inadequacies of the existing crypto currencies.

CONCLUSION:

Crypto currencies are in their infancy but gained wide acceptance around the world hence banning them would not be an option for India. Though the evolution of crypto currencies presents challenges like cyber facilitated crimes including illicit activities but these activities can be regulated. Reports suggest that the Ministry of Finance is drafting a comprehensive regulatory framework that would, among other things, clearly define the manner in which such currencies may be issued, acquired or used. India needs a well thought out and progressive legal framework that embraces technological advancements to beneficial use of such currencies in India.

REFERENCES:

1. https://originmarkets.com/an-introduction-to-cryptocurrencies/
2. https://en.oxforddictionaries.com/definition/cryptocurrency.
3. https://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=30247
4. https://news.bitcoin.com/india-drug-cartel-uses-bitcoins-two-arrested-a-closer-look-at-mainstream-media-libel/
5. https://www.theguardian.com/technology/2015/aug/19/ashley-madison-hackers-release-10gb-database-of-33m-infidelity-site-accounts
6. https://www.tripwire.com/state-of-security/featured/bitcoin-phishing-million-google-adwords
7. https://news.bitcoin.com/10000-people-downloaded-fake-cryptocurrency-apps/
8. https://www.gadgetsnow.com/tech-news/this-may-be-the-first-bitcoin-scam-in-india/articleshow/62078523.cms
9. https://theprint.in/economy/made-in-india-bitcoins-laxmi-and-bullcoin-face-cases/27692/
10. http://cryptowirelive.com/bitcoin/bitcoin-scams-indian-investors-eager-for-quick-profits-are-being-duped-by-conmen/

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

NPA'S A MENACE IN INDIAN BANKS

Dr. P. AMARAVENI
Asst. Professor, Dept. of Commerce & Business Management K.U

Abstract: *NPAs became a menace to the Indian banks. NPAs not only affect the banks but also the total banking industry and national economy as whole. A strong banking system is one of the essential prerequisite for the economic growth. NPAs in infrastructure, power, steel and telecom sectors are very high when compared to the other sectors. Banks need to take proactive actions to reduce NPAs such as continuous vigil blowing mechanism on their staff, customers, board of directors and auditors. This paper studied India's place in world countries NPA, it is also highlighted sector wise analysis of NPAs such as infrastructure, agriculture, power, steel, telecom and textile and also it has identified the losses of various banks because of betrayal organization.*

Keywords: *Infrastructure NPAs, Agricultural NPAs, World countries NPAs, NPAs in Betrayal organizations*

1. INTRODUCTION:

A country's economic and industrial growth depends upon the healthy banking industry. Banking sector plays a catalytic role for the country's economy by giving financial support to the capital intensive sectors such as construction, mining, gems & jewelry, paper, rubber, infrastructure, automobiles, textiles, metals, steel, power, engineering, food processing cement, cement products, chemicals and agriculture etc. During 2000 to 2008 Indian economy was in boom phase. Lax lending norms during the boom years are one of the key reasons for rising NPAs. Public sector banks lent extensively to the corporate sector in this phase. But because of global economic Crisis after 2009, corporate profits were dwindled. Intense competition in domestic and global markets, high cost of borrowings and slowdown in economy are some of the causes of rising NPAs. Delay in environmental related permits affected the power, iron and steel sector, volatility in prices of raw material and shortage in availability affected ability to pay back loans.

2. LITERATURE REVIEW:

- Samir & Deepa karma[1] analysed the position of NPAS in selected banks namely SBI, PNB and central bank of India (CBI).The study highlighted that the policies pursued by the banks to tackle the NPAs and suggested a multi-pronged strategy for speedy recovery of NPAs in banking sector.
- Akshay Kumar Mishra[2] analysed NPAs in priority and Non-Priority sectors with respect to public sector banks in India. He has suggested that the lending in priority sector is one of the important causes for the rise of such NPAs. This article compared the priority and non – priority sector NPAS with respect to public sector banks. It concluded that both priority and non-priority sector have significant effect on NPAs.
- Dr. M. Syed Ibrahim and Dr. Rangasamy Thangavelu[3] analyzed the concept of NPA, components of loan assets of commercial banks in India with special reference to public, private and foreign banks. The study concludes that the commercial banks have significantly improved their working performance in the area of NPAs.
- Sirajk. K[4] explained the moderating and mediating role of various bank performance and macroeconomic indicators on incidence of NPA. The researcher has concluded that NPAs can be effectively managed through incorporating more proactive measures, notably an improvement in the credit evaluation, appraisal and monitoring system of banks.
- Dr. Ujjwal M. Mishra and Jayant R. Pawaskr[5] have concluded that the magnitude of NPA is comparatively higher in public sector banks. To improve the efficiency and profitability of banks the NPA need to be reduced and controlled.
- Ashlylynn joseph, Dr. M. Prakash[6] studied the trends of NPA in banking industry, the factors that mainly contribute to NPA rising in the banking industry and also provides suggestions how to overcome this burden of NPA in banking industry. NPA's – A Comparative analysis on banks and financial Institutions and its implications.

- Mrs. Sumathi Gopal, Padmasree Dr. D. Y. Patil[7] has made an attempt to rationalize the cause and preventive measures to be adopted by banks.

2.1. OBJECTIVES:

- To know the world countries NPAs and BRICS countries NPAs.
- To discuss the sector analysis of NPAs of Agriculture, Infrastructure, Power and Steel sectors.
- To analyse the various public sector bank losses due to NPAs.
- To study the NPAs in various betrayal organizations.
- To offer measures to reduce NPAs in banks.

3. RESEARCH METHODOLOGY:

The study is based on secondary data, which is collected from various annual reports of the banks, Financial Stability Reports, Care Rating, FICCI Industries insight Reports, RBI Reports and other related information collected from various journals, newspapers, magazines and websites.

4. DATA ANALYSIS:

4.1 WORLD NPAS:

According to Care Ratings India has been ranked 5th place with 9.9 percent NPA ratio on the list of countries with high NPAs. India is top country when compared to the BRICs countries. The country has huge NPA burden of Rs. 7.33 lakh crores as on June, 2017. To address the crisis the Government has announced the capitalization of these public sector banks by infusing around Rs. 2.11 lakh corres, besides pumping in Rs. 1.35 lakh crores through recapitalization bonds.

Table 1 - World NPAs

Country Name	NPAs (%)
Greece	36.4
Italy	16.4
Portugal	15.5
Ireland	11.9
India	9.9
Russia	9.7
Spain	5.3

Source: Care Ratings, India

The NPA list is topped by PIIGs – Portugal, Italy, Ireland, Greece and Spain. Greece has the highest NPA of 36.4 percent in the world. Italy16.4 percent, Portugal 15.5 percent, Ireland 11.9 percent, Russia 9.7 percent Spain 5.3 are also facing huge NPA crisis. Growing economies like Brazil, Indonesia, South Africa and Turkey were listed under medium sized NPAs. Very low category NPA ratios of just 1 percent countries are Australia, Canada, Hong Kong, Republic of Korea and the United Kingdom. Low category with less than 2 percent NPA countries are China, Germany, Japan and the USA.

Table 2 - Bank Losses (Rs. Crores)

Name of the Bank	October – December 2017	October – December 2016
Bank of India	-2341.23	+102
Oriental Bank	-1985.4	-1750
State Bank of India	-1886.57	+2.952
Central Bank	-1664	696
IDBI	-1524.31	-2254.96
Union Bank	-1250	+104
Corporation Bank	1240.49	+159.02
UCO Bank	-1016.43	-437.09
Indian Overseas	-971.17	-554.44
Cindicate Bank	-869.77	+93.56
United Bank	-637.53	+64.10
Bank of Maharastra	-597	-183
Andhra Bank	-532.02	+56.70
Punjab & Sindh	-258.25	+77.51

Source: Namaste Telangana 14/02/2018, (Daily News Papers)

From the above table, it reveals that 14 banks losses are around Rs. 17,000 crores. State bank of India loss was Rs. 1886.57 crores, Bank of India, Oriental bank losses were Rs. 2,341.23 crores and Rs. 1,985.40 respectively. For the losses which are incurring by the banks was because of the rising NPAs only. For the financial year 2017-18 for the third quarter ending (October – December), half of the public sector banks have incurred losses. According to recent statistics public sector banks GNPA are Rs. 8.5 lakh crores, in that state bank of India has Rs. 2 lakh crores and private sector banks. GPAs are 1.5 lakh crores, total banking sector NPAs are Rs. 10 lakh crores. 77 percent of NPAs belongs to big corporate houses and 25 percent NPAs belongs to 12 firm's only.[8] Public Sector Banks gross NPA's are highest at 15.7 percent in industries, while in infrastructure sector is at 9 percent, agriculture at 6.3 percent, services at 6.7 percent and retail sector at 2.2 percent as of March, 2016. Public sector banks have largely recognized stressed assets on their books compared to private banks.[9]

4.2 SECTOR WISE NPA ANALYSIS:

The total borrowings by companies in chemical, computer electrical machinery, hotels, iron and steel, paper, pharmaceutical, real estate, rubber and transport industries decreased during 2016-17. On the other hand, cement, construction, power, food products and textile industries showed same increase in borrowings. Automobile and telecommunication industries showed a substantial increase in borrowings. Infrastructure, Metals and Textile sector have contributed most to the stressed loans while retail loan segment continues to be least stressed.[10]

Table 3 - Sector wise NPAs

Sector	Percent (%) of NPAs
Infrastructure	32.8
Metals	13.6
Textiles	6.9
Engineering & Food Processing	5.3

Source: RBI website

From the above table, it shows that Infrastructure contributed to 32.8 percent of the total stressed assets followed by metals at 13.67 percent, textile at 6.9 percent, while engineering and food processing was at 5.3 percent each.

- **INFRASTRUCTURE SECTOR:** Infrastructure projects are often complex and involve a large number of parties. These projects are long term and subject to various risks including those due to changes in policies, delays in clearances etc. interest cost is part of the project cost, project delay leads to cost and time overruns.[11] There are several reasons for the high level of stressed assets in the infrastructure sector. These projects are long gestation period and cannot generate immediate cash flows. But the repayment of the loan to the bank occurs in a much shorter time frame than the projects revenues would permit. This stressed the infrastructure sector they repay the loans through the fresh borrowings, this adds to the cost and build stress. Banks should recover the loans over 85 percent of the economic life of the project, so that further stress is not built. Repayment schedules should be properly drawn up and aligned with expected cash flows. Overall Infrastructure loans have shown a decline of 6 percent with Rs. 9.07 lakh crores outstanding loans at the end of financial year 2016-17. Bank loans to the infrastructure sector have declined. The biggest contraction was seen in power sector (-10.4 percent) from January, 2014 to November, 2016, followed by telecom (-6.3 percent), the infrastructure sector is facing problems from land acquisition to project delays and cost over runs. According to the Crisil ltd. and Assocham in November, 2017 estimates that Rs. 4 trillion is needed over the next five years to fund the country's ambitious infrastructure plans.[12]
- **AGRICULTURE SECTOR:** According to RBI, banks has to give 40 percent of their total loans must be given to priority sector such as agriculture, small industries, retail trade, exports etc. by showing various reasons, banks are not giving 40 percent to priority sector. From 2014 to 2017, bank loans to agriculture come down from 18.79 percent to 4 percent small industries loans also slightly decreased. NPAs in the agriculture sector increased from Rs. 48800 crores in 2016 to 60200 crores in 2017. NPAs in agriculture sector are only 6 percent in contrast to 21 percent by corporate borrowers.[13] From the above table, it is observed that the stressed assets are mainly concentrated in the industrial sector with ratios of above 20 percent in march, 2017. The ratios have been lower for agriculture in between 6 and 7 percent and even lower for retail loans at around 2 percent. There is myth that main reason for rise in NPA in Public Sector Banks was priority sector lending. However from the above table, it is evident that NPAs in the industry (Corporate Sector) are far higher than those in agriculture sector.

Table 4 - Bank Wise NPAs – Stressed Assets Across Sectors (%)

Sector	NPA Ratio		Stressed Asset Ratio	
	September, 16	March, 17	September, 16	March, 17
Agriculture	6	5.4	7.2	6.3

Industry	15.8	17.7	22.3	23.00
Service	6.5	6.00	8.3	7.00
Retail	2.3	2.00	2.4	2.1

Source: RBI Financial Stability Report 2017, Care Ratings

- **POWER SECTOR:** The gross loans and advances given to the power sector as of June, 2017 amounted to Rs. 5.59 lakh crores, of which Rs. 37,941 crore was classified as gross nonperforming assets. Outstanding loans to the power sector as on 31st March, 2017 stood at Rs. 5.26 lakh crore, a drop of 9.4 percent from 2016. Loans to the road sector grow by as meager 1.4 percent to 41.8 lakh crores. Banks are becoming choosy and picking the safer parts of these sectors where execution risk is relatively low and government support is high. Most private sector banks are trying to stick to better projects which are closure to completion. The power industry suffered from relatively high leverage and high interest burden.[14]Large underutilized capacities, muted demand, bunched-up capacity addition, soft merchant power prices, continued increments in renewable capacities and weak discoms are the main reasons of power sector chronic problems. Lack of fuel linkages is a major road block in some power projects. The gross loans and advances given to the power sector as on June, 2017 amounted to Rs. 5.59 lakh crores, of which Rs. 37,941 crores was classified as gross NPAs. Within GNPA, over 90 percent are from electricity generation segment while the next are from transmission and distribution. Even the government accepted that one of the reasons for financial stress in the thermal power project is the unavailability of fuel arising due to the cancellation of coal blocks. According to Mint report, the department of financial services has identified an estimated debt of Rs. 1.77 lakh crores from 34 coal fueled power projects. These projects are facing issues of lack of funds, no fuel security and absence of fuel power purchase agreement. Government has set up a committee under the leadership of NITI Aayog CEO amitabh Kant, to address the NPAs in power sector. According to this, NPAs in power sector are 5.9 percent of the banking sectors total outstanding advances of Rs. 4.73 trillion.
- **IRON AND STEEL SECTOR:** 60 percent of banks stressed assets are from five sectors. These are steel, power, telecom, infrastructure and textile. The top 5 steel companies with highest NPAs are Essar Steel Rs. 44,000 crores, Monnet IspatRs. 12,115 crores, Bhushan Steel Rs. 37,248 crores, Elecro Steels Rs. 10,000 and LancoInfrasRs. 44,364.60. Aggregate debt of the total steel sector as an March, 2016 was Rs. 1,48,289 crores. Arun Sharma Union Steel secretary said that steel sectors bad loans comprised 28 percent of NPAs of banks. As per the RBI guidelines, the stressed advances ratio was highest for basic metal and their products at 42.9 percent as of September, 2016. The Iron and Steel segment accounts for the largest share of NPA in the metal sector. Both the metal and textile industries have large number of players and consequently their NPAs too tend to be amongst the highest.[15] According SBI research report, The Indian Steel Industry s now more dependent on government policies based on anti-dumping duties and rationalization of import duties.[16] High competition, weak global prices, high costs, the Indian companies have struggled with to compete with cheap imports from china, Japan and South Korea.[17] The iron and steel sector has faced many issues. Apart from a depressed prices, which seems to be a long cycle, the cost of production has gone up given cancellation of coal block licensing, internal logistics costs and indiscriminate expansion.
- **TEXTILE:** As per Reserve Bank Reports, Total advances of textile industries stood at Rs. 2,14,574 crore and had gross NPAs of Rs. 37,383 crores as on June, 2016.
- **TELECOM:** Debt of total listed telecom companies was at Rs. 2,14,477 crores as on September, 2016. Telecom sector has been vulnerable with lower interest coverage ratio of 0.7 percent and could be in need of standard asset provisionally. Telecom industry had the largest debt with negative profitability as at the end of month 2017. The industry also had relatively high leverage.

4.3 NPAS IN VARIOUS BETRAYAL ORGANIZATIONS:

Table 5 - NPAs in various Betrayal organizations

Bank	Betrayal Firm / Organisaton	NPAs / Scam value (crores)
Punjab National Bank	NeeravModhi group of Institutions	13,923
Bank of India, Bank of Baroda, Indian Overseas Bank, union Bank of India, OBC, Alahabad bank and Bank of Maharastra	Rotomax Pens	3,695
OBC, Oriental bank of Commerce	Dwaraka Das Seth International	390
SBI, PNB, Bank of India, IDBI, Bank of Baroda and 17 banks consortium	Vijay Malya Companies	9000

Union bank and other eight banks	Tetom Infrastructure ltd.	313.84 1394.43
Canara Bank	RP Infor systems ltd., Calcutta	515*
SBI & 14 banks consortium	Kanishk gold private ltd.	824.15**
SBI & 23 banks consortium***	Anrak company	2905 NPAs 16.30 Loss 3461 Loan

Source: *Eenadu paper 3rd March, 2018, ** 22nd March, 2018, ***State Bank of India 215, Punjab National Bank 115, Union Bank of India 50, cyndicate Bank 50, Bank of India 45, IDBI bank 45, UCO 40, Tamilnadu merchantile bank 37, Andhra Bank 30, Bank of Baroda 30, HDFC bank 25, ICICI 25, Central bank of India 20, corporative bank 20.

From the above it is disclosed that the total losses incurred by banks due to betrayal organization are Rs. 32960.42 crores. Earlier people use to send money to the foreign countries after doing frauds, but now a days the men along with swindled money, run away to the foreign countries, such as latithmodhi, vijayymalya, neeravmodhi, mehulchoksi by deceiving the banks. Even banks are strict in giving loans and advances to the small and tiny farmers and small customers, but not in case of big borrowers. General public think that, they can also do such type of loan swindling, when this type of competition is increasing in loan swindling, total banking system will be collapsed. In this context the survival of the banking system is a big question mark. We need to solve these problems with a strict norm. Severe fraudsters should be equally punished like punishment given to terrorist. We need to change prevailing laws and fast track courts should be established. Courts have to enquire immediately and punish the financial fraudsters before they leave the country. Then only the common public has faith in the banking system. Banks have three types of audits. One is concurrent audit, two is statutory audit, third is internal audit and each bank is having risk management committees with highest level of officials as members and audit committees. But the banks / auditors / RBI is not identifying the money swindling by the fraudsters. The responsibility lies with the bank management, audit committees and board of directors and RBI also.

Table 6 -BETRAYAL EMPLOYEES

Bank	**Betrayal Employees**
State Bank of India	1538
Indian Overseas Bank (IOB)	449
Central Bank	406
Union Bank	214
Punjab National Bank	184
Remaining 22 Public Sector Banks	2409
Total	**5200**

Source: Eenadu News Paper, 20th February, 2018

RBI statistics says that total 5200 employees have cheated their own banks from 1st January, 2015 to 31st March, 2017, In the above list of betrayal employees SBI is in first position with 1538 and they have been arrested and punishments are given to them, the next position is taken by the Indian Overseas Bank with 449 betrayal employees. The losses due to cheating was Rs. 10,170 crores during 2013-14, it was Rs. 17,750 crores during 2016 17. 12 percent of these cheatings were happened with the help of employees of the banks only. During the last five years 17,504 cheating cases were registered, in this banks officials involved cases were 2,084 cases, loss was Rs. 66,066 crores.[18]

4.4 NPAS WRITTEN OFF:

In 2016, September total public sector banks write off Rs. 53625 crores and in 2015 it has write off Rs. 81683 crores. In this State Bank of India has the first place. During 2017-18 September, state bank of India has written off Rs. 20339 crores. During the last 5 years banks has write off Rs. 2.5 lakh corers. During the last 5 years, Punjab National Bank has lost Rs. 8999 crors, State Bank of India Rs. 6228 crores, Bank of Baroda Rs. 4412 crores, IOB 3339 crores rupees due to scams. SBI accounted for the largest share of about 22.7 percent in the total NPAs, of Rs. 829338 crores of all banks the NPAs stood at Rs. 188068 crores as on 2017. Public sector banks appear to be more stressed than private sector banks. ICICI and Axis banks are the only private sector banks in the top 15 with a combined share of 7.9 percent of the total NPAs.[19]

Table 7 - Stressed Assets in Sensitive Sectors
(% of GNPA + Restructured advances)

Sector	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Infrastructure	8.8	8.4	21.2	27.6	29.4
Iron & Steel	7.8	7.7	6.7	8.1	10.8

Textiles	11.6	12.2	8.9	7.4	7.7
Aviation	1.1	1.8	6.3	3.5	3.3
Mining	0.2	0.4	0.4	0.5	0.9
Total	29.5	30.5	43.5	47.1	52.0

Source: RBI, Feb., 2016, FICCI Industry Insights, http://ficci.com/sector-periodicals.asp

The analysis of the stressed assets in sensitive sectors depicts that in financial year 2017, there are highest stressed assets in infrastructure sector with 37 percent and mining sector have the lowest stressed assets of 0.9 percent in the financial year 2014, mining sector holds a consistent stressed assets from 2010-14. In this context all the depositors of Punjab National Banks are in queue line to withdraw their deposits from the bank. One bank fails, it has effect on other banks and on total banking industry. Most of the public are getting worried about the bankruptcy of the bank, before independence (1920), bankruptcy of banks are more, the same situation will arise in future also. If a bank has to prevent fraud, it must follow the three key principles. It must know the customer in the real sense, it must know its employee and it must know its partner. Banks need to invest in data analytics and also intelligence gathering to make fraud detection. Big data can be used for high risk, very large advance accounts. For analyzing information banks have to collect data from such as sources, social network activities and data mining techniques etc. This way banks can able to analyse transactions and be able to predict the likelihood of a fraud happening. The recent scams shows that the fraudster account holders are deceiving the banks, by opening the fake organization. The Government has declared that it has banned 1.75 lakh fake organizations. The corporate affairs ministerial branch conducted a survey on vanishing companies. According to this, the director's addresses are not correct, and the company is not in that address which has shown in the company books. 70 percent of banking financial organization is within the hands of central government. So the government is also responsible for the mistakes done by the banks. These must be a social audit with the vast experienced persons. Government has to establish a controlling mechanism on all banks and financial institutions.

4.5 ROLE OF BOARD OF DIRECTORS:

Bank officials have to take the approval from Zonal Office, Central Office when the amount of loan is increasing. Board of Directors has to verify the application, if it is well prepared then they can accept the loan application, otherwise they can reject it, but in most of the cases it has not happened. Public sector banks board of directors are appointed by the central government such as chairman, M.D and C.E.O., Executive directors. In addition to this, one the representative board of director from central Government and another from RBI. Bank board's should be cleansed and take precautions while appointing board of directors, competent board of directors and efficient managing directors, CEO's of banks give good results. RBI Governor Urijith Singh patel said that the RBI is not responsible for the Punjab National Bank scam. Banks are controlled by the government and also the RBI, this is the reason for bank scams. He said that there is a need for changes in the Banking Regulation Act and increasing the regulating powers over the banks.

4.6 MEASURES TO REDUCE NPAS IN BANKS:

- There is a need for the Reforms in human resource policies in banks. HR recruitment, selection, promotion, strict transfer policies must be incorporated and loss making employees must be identified and punish severely. There is a skill gaps in the manpower of the banks. Near vacuum in the senior management over the next few years, lack of expertise in critical areas like IT, risk management, credit appraisal and treasury operations.
- When a fraud is happened in banks, banks have to collect the forgone money and also the fraudsters must be severally punished whether they are big business magnets or the employees / directors of bank.
- Government should control the banks through RBI by giving the autonomous, strong audit mechanism, and reducing managerial loopholes.
- Corruption, unhygienic and unhealthy practices, illegal means of doing activities, government interference, political interference and banking sector loopholes are the main reasons for reducing NPAs. The corporate firms with high political influence took lakh crores of rupees as loans by giving less valued mortgaged assets. The big corporate such as vijaymalya has given current assets such as air coolers, chairs and tables as a mortgage assets to the banks and took crores of rupees as loans. Banks has to verify that whether the company is able to pay the loans taken, is it essential to give that much amount as a loan to the already a willful defaulter to the other banks.
- To present these scams, the youngster should be propagated the national values, right from the schooling system. If this is not happened there are no quick fix solutions. At least next generation of Indians is nurtured with positive value guidance, to empower them not to turn capitalism into downright cronyism.
- During 1948-2008, small and medium sized, 700 banks were closed their operations because of burden of NPAs. Best administration, best controlling mechanism, strict recovery of loans, proper audit system will reduce the NPA's burden.

- Block chain system can give solution to problem. Block chain system means decentralization of power, all banks should follow this system, if any mistake done at one level, that must be identified at another level because no single person cannot take the decision in giving the loans. So transparency, accountability, responsibility of the bank employees/directors/auditors will be increased.
- Willful defaulters Accounts should be sending to all the banks. So that no other bank give loans to the willful defaulters. But banks are not revealing this information to the public and also to other banks.
- The role of the government must be reduced in banks. Increase social accountability of the employees of the banks, corruption a high return low risk activity, need to be addressed, social monitoring through empowered autonomous and credible structure will have to be established even the highest officials. Systematic reforms are needed. Banks must be evaluated by the customers along with central vigilance commission. The central vigilance commission act only when a complaint is made. There should be avigil blowing mechanism and need to establish proactive vigilance system.

5. CONCLUSION:

India is in 5th place with 9.9 percent NPA ratio in the list of world NPAs. It is highly alarming state for the country. After the global financial crisis (2008) the RBI has relaxed credit norms to encourage banks, but later the banks are not able to get back the loans. Banks of India has incurred Rs. 2341.23 losses in December 2017, with first place among other banks. Infrastructure sector has contributed 37 percent of NPAs to the economy during the financial year 2017. There is a myth that the NPAs are arising out of agriculture sector, but it is not true, it is only 6 percent, stood Rs. 37941crores GNPAs in power sector in financial year 2017. Large underutilized capacities, weak discms and lower prices are the main reasons for power sector NPAs. Aggregate debt of total steel sector as on March 2016 was Rs. 148289 crores. 60 percent of NPAs belongs to Infrastructure, Steel, Power, Telecom and Textile sectors. Weak governance, lax underwriting, high corporate leverage, several policy logjams are consequences of losses in public sector banks. According to RBI statistics 5200 employees have cheated their own banks. The total amount due to betrayal organizations are Rs.32,959 crores as on march 22,2018.The GNPAs of commercial banks as on 31st December,2017 was Rs. 8,40,958 crores and Public Sector Banks GNPAs are 777000 crores. In order to reduce NPAs in banks some more reforms are required in the area of HR, stringent recovery policies, cleansing of Boards, reducing Government and political interference in banks, transparency, good governance, proper credit appraisal mechanisms are some of the measures. Timely recognition of actual risk, trust worthiness and transparency of books of accounts, management effectiveness good governance, and easy monitor policies are the some of the measures to reduce NPA problems. Banks have to develop vigil blowing mechanism for an early warning and proper MIS can detect the problem accounts, flag early signs of NPAs. Timely information to management on these aspects is essential.

REFERENCE:

1. Samir & Deepa Karms, A Comparative analysis of Nonperforming Assets of selected commercial bank in India, International Journal of management, Page 68, ISSN no. 2277-4637 online, Vol. 3, No.3, June, 2013, www.cpmr.org.in.
2. Akshay Kumar Mishra, An analysis of NPAs in priority and Non-priority sectors with respect to public sector banks in India, IOSR Journal of Business Management, e-ISSN 2278-487X (IOSR-IBM)
3. Syed Ibrahim and Dr. Rangasamy Thangavelu, A study on the composition of Nonperforming Assets of Scheduled commercial Banks in India. Dr. M. Journal of Finance and Bank Management, March 2014, Vol. 2, No. 1 PP 31-48, ISSN 2333-6072 (online), www.aripd.ord/jfbm)
4. Sirajk. K, A study on Nonperforming assets of public sector banks in India with special reference to state bank of Travancore. (Thesis), Cochin University of science and technology Feb. 2014.
5. Dr. Ujjwal M. Mishra and Jayant R. Pawaskr , A study of NPAs and its impact on banking sector, Journal for Research Vol. 3(1) March, 2017, ISSN 2395-7549.
6. Ashlylynn joseph, Dr. M. Prakash, A study on analyzing the trend of NPA level in private sector banks and public sector banks, international journal of scientific and research publications, vol.4 (7), July, 2014 ISSn 2250-3153.
7. Mrs. Sumathi Gopal, Padmasree Dr. D. Y. Patil University, Navi Mumbai, June 2010.
8. Namaste Telangana, 14/02/2018.
9. Fitch Rating.
10. Financial stability report, June 2017, pp16, Various RBI Reports.
11. Issues in Infrastruture financing in India, 15 November, 2016 speech by sri. N.S. Viswanathan, Deputy Governor at 6th National Summit organized by Assocham on Infrastrucure finance – Building newindia, Mumbai.
12. Report of Crisil ltd. and Assocham in November, 2017 (January, 19, 2017).

13. The Indian Express
14. Financial stability report, Reserve Bank of India, Issue No.15, june 2017
15. NPA source.cpm, Mr. Devendrajain, CMD of Atishya Group
16. money.control.com., 24 August, 2017
17. tradingeconomic.com
18. Eenadu Newspaper. 20 February, 2018,
19. Care Ratings, India.
20. FICCI Industry Insights, http://ficcci.com/sector-periodicals.asp

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

E-CRM INITIATIVES IN MODERN BANKING SECTOR: A STUDY ON INDIAN BANKS

[1]Dr. SUNITHA CHAKRAVARTHY, [2]Prof. G.V. BHAVANIPRASAD
[1]Assit. Professor, Kakatiya Institute of Technology & Science, Warangal, Telangana, India.
[2]Emeritus Professor, Uni. College of Commerce & Business Management, Kakatiya Uni., Warangal

Abstract: *Technology, people and customer are the three elements on which hinge the success of banking in the fast changing economic environment. The ultimate performance of a bank depends upon the satisfaction of its customers. In the emerging competitive and technological driven banking era, banks have to strive hard for retaining and enlarging their customer base. E-CRM, which is the latest buzzword in the corporate sector, is perceived as one of the effective tool in this direction by the banks. Its emphasis is on defining the customers as valuable in the long-term and on viewing customer relationships as learning relationships. The concept of CRM, when seen in the context of e-business, it translates into e-CRM, which essentially deals with managing customer interactions over the web. The present paper attempts to analyze the concept of E-CRM in Indian banks from its various dimensions covering specifically its need, Techniques, present status and future prospects.*

Keywords*: E-CRM – Techniques -Customer - Indian Banks.*

1. INTRODUCTION:

In the rapidly changing global and technological environment there has been a growing interest among financial institution as well as other types of businesses to cultivate customer relationship. The focus of banking is also undergoing a change not only in private banks but also in commercial banks and co-operative banking segments. In recent years there has been a growing interest among financial institutions, as well as other types of businesses, to cultivate customer relationships. While many companies are eager to build relationships with their customers, not all customers require themselves as having a relationships with the companies with whom they do business. From Henley research Centre they found that from academic stand point it is easy to understand the customers interest to develop a relationship in banks and financial services context. The services rendered by the banks are intangible and therefore, often difficult to understand. Before Technology revolutionized, many customers could make contact with their banks through network or door- door sales representatives; both relying on the personal contact. The rapid transformation during the last decade in the Indian banking industry has indeed made it stronger, cleaner, efficient, disciplined, responsive to customer needs and a lot more competitive. Nowadays Indian Banking industry started comparing itself reasonably well with the rest of Asia in some areas like profitability, service, growth and low- rate of non-performing assets, innovations, customer value creations etc. Cost of intermediation in Indian Banks is still comparatively high because of factors such as higher customer relationship. Banking sector that had failed to respond to changing market realities have historically been in the rapidly changing global and technological environment. there has been a growing interest among financial institution as well as other types of businesses to cultivate customer relationship. The focus of banking is also undergoing a change not only in private banks but also in commercial banks and co-operative banking segments. In recent years there has been a growing interest among financial institutions, as well as other types of businesses, to cultivate customer relationships. While many companies are eager to build relationships with their customers, not all customers require themselves as having a relationships with the companies with whom they do business. The rapid transformation during the last decade in the Indian banking industry has indeed made it stronger, cleaner, efficient, disciplined, responsive to customer needs and a lot more competitive. Nowadays Indian Banking industry started comparing itself reasonably well with the rest of Asia in some areas like profitability, service, growth and low- rate of non-performing assets, innovations, customer value creations etc. Cost of intermediation in Indian Banks is still comparatively high because of factors such as higher customer relationship. Banking sector that had failed to respond to changing market realities have historically been hurdle to the development of financial sector in many developing nations.

2. OBJECTIVES OF THE STUDY :

The following are the objectives of the present study:

- To study and understand the concept of CRM.
- To study the E-CRM techniques in Indian Banking Sector.
- To study the current status of E-CRM in Indian Banking Sector.

3. RESEARCH METHODOLOGY:

The presents study is completely based on secondary sources of data collection such as electronic resources, books, journals, magazines.

4. CRM IN NEW AGE BANKING:

The post-liberalized banking sector in India has been witnessing spectacular changes. The major reasons for the recent radical changes in banking industry's portfolio are competition, consolidation, information technology and the need to be customer-centric. Banks could improve the profitability by adopting strategies like market segmentation, innovation, price bundling and relationship. Technology has a major role to play in retail banking, but its role is complementary to customer service initiatives. Due to increased financial market products like commercial paper and variety of financial instruments, big corporate clientele of several commercial banks have shifted their loyalty, and have been raising resources from the market directly and commercial banks have become more retail customer-centric by offering wide range of services. Banks have identified new customer segments like students, workingwomen, and high rich net worth individuals. In the era of cut throat competition globally as well as locally, Data Mining is used by almost all the proactive corporations and organizations to build and manage customer relationships. Data Mining helps to retain the customers by understanding and fulfilling their needs proactively and thus delighting them in the long run. Earlier it was very difficult to understand and manage the data. But now with the usage of CRM Software from companies like SAP, Siebel, Oracle, Amdocs and others; many companies are utilizing the benefits of enhancing customer loyalty through Customer Relationship Management. In the banking sector in India, New Age Private Banks like ICICI Bank, HDFC Bank, Axis Bank are at the forefront of utilizing the data mining techniques to enhance the customer relationship.

5. DATA MINING:

Data mining is the principle of sorting through large amounts of data and picking out relevant information. It is usually used by business intelligence organizations, and financial analysts, but it is increasingly used in the sciences to extract information from the enormous data sets generated by modern experimental and observational methods. The Internet and technology opens up a wealth of information 24 hours a day, seven days a week, thereby heightening the transparency of the markets. Customers use the Internet to quickly shop around and see what competitors can provide. As a consequence, the attention span of customers has decreased, and customer loyalty is subject to new laws. Customers are looking beyond products to assess whether the overall solution you provide addresses their individual needs and priorities. Technology has also paved the way for a new dimension of customer relationship management. The falling costs for computing power and the arrival of new software tools for capturing and analyzing mass data have provided the main thrust behind the increase in importance of analytical solutions in general. Powerful hardware and software give better ways than ever before to understand and leverage customer relationships. Data mining is one of the technologies which provide analytical ability to the organizations for leveraging on customer relationships and thus customer loyalty and this paper analyzes the potential of data mining for building and managing better relationships. (META, 2007) Data Mining uses a variety of techniques to find hidden patterns and relationships in large pools of data and infer rules from them that can be used to predict future behavior and guide decision making. To use data mining effectively for managing customer relationships the data must be categorized in some manner if it is to be accessed, reused, organized, or synthesized to build a picture of the organization's competitive environment or solve a specific business problem (Pearlson, 2001, p.196). Customer relationship Management form a learning relationships with the customers by noticing their needs with the use of online transaction processing i.e. operational CRM, remember their preferences with the use of Decision support Data warehouses and learn how to serve them with the use of Data mining. There may be number of channels by which company interfaces with its customers for example direct mail, Email, telemarketing etc. Analytical CRM (Laudon, 2006) includes applications that analyze customer data generated by operational CRM applications to provide information for improving business performance management. For example, it's use in developing customer profiles, analyzing customer profitability etc. Data Mining is defined as exploration and analysis of large quantities of data by automatic or semi-automatic means to discover meaningful patterns and rules and these patterns allow a company to better understand its customers, improve its marketing, sales, and customer support operations. (Berry and Linoff, 1997) The process of extracting hidden key information from a large pool of available data is data mining. Advanced statistical tools are used in data mining to understand current behaviour and to predict future behavioural patterns. Mathematics, genetics, cybernetics and other fields of research make extensive use of data mining. In CRM, Web mining (pertaining to Web-related information) is used to gain insights into customer behavior. Interesting little poll over on KD Nuggets today - readers were asked where they had applied data mining in the last 12 months. The top 5 were CRM (26.1% of respondents), Banking (23.9%), Direct Marketing/ Fundraising (20.3%), Science (18.8%) and Fraud Detection (18.8%).

6. AN OVERVIEW OF CURRENT STATUS OF E-CRM IN INDIAN BANKS:

Internet has enabled banking at the click of the mouse. At present there are five functional categories for online banking sites – on line brochure centre, interactive bank, e-mails, calculations and cyber banks, which offer customers access to account information, inter-branch funds transfer and utility bill payments. Banks have tied up with service providers in telecom and power sectors like MTNL, BSES and cellular service providers for allowing their customers to make bill payments online. In India, new private sector banks like ICICI Bank, HDFC Bank, Global Trust Bank and UTI Bank, have taken the lead in e-banking. Among the foreign banks, Citibank, has noticeable presence, while others like Federal Bank, HSBC Bank, Deutsche Bank and ABN Amro Bank, are moving towards becoming big players in e-banking. Even the state run banks like SBI and Union Bank of India have realized the advantages of such services. ICICI Bank, the first bank to offer e-banking services in India has more than one lakh regular internet user accounts, of which more than 25 percent are of NRIs. The bank has viewed advanced information technology as a managerial and competitive tool and has tried to harness technology to the maximum possible extent to deliver superior customer services. The Bank has emerged leader in B2B and B2C initiatives. B2B solutions (i-payments) aim at facilitating online supply-chain management to it corporate clients by linking them with their suppliers and dealers in a closed business loop. All members in this loop are required to maintain the account with the bank. This product has gained considerable market acceptance and the bank has already entered into memorandum of understanding with over 100 large Indian companies. The Bank became the first bank in India to introduce utility bill payment through Internet. Bank has entered into tie-ups with leading telecom companies such as MTNL, Tata teleservices, VSNL and cellular operators such as BPL Mobile, Airtel and Usha Martin. Tie-ups have been established with BEST & BSES for electricity payment in Mumbai. The bank with its net banking service called 'Infinity' goes a step forward by allowing the account holder to transfer fund into another person's account with the bank. Also one can intimate about the loss of an ATM card over the net when using Infinity. Corporate sector can issue letter of credit and make inquiries regarding bills sent for collection via this service. It also provides facility for nicknaming all accounts to avoid remarking lengthy accounts number. UTI bank has tied up with Cosmat Max, to create a communication network for its customers. The network will have VSAT terminals at strategic locations, which will help in ATM servicing and internal management information system. The bank has signed a memorandum of understanding with equitymaster.com for e-brokering activities of the site. This will enable the bank to leverage its database for e-commerce and other initiatives with data-warehousing and data-mining, where information of the customer spending habits will be used to sell other co-related products like credit cards. HDFC Bank has, for the first time in India made the e-shopping experience secure online and real time with the launch of its payment gateway. This will allow any Visa/Master credit card holder anywhere in the world to make payments for global services over the Internet. The bank has tied up with 15 portals and is in talk with several others to offer secure business to customer e-com, credit card transactions. The first secure, on-line and real-time e-com. credit card transaction in the country was done on the Easy.2 shoppe.com shopping mall, enabled by HDFC bank on a Visa card, heralding the launch of the payment gateway. HDFC Bank also offers a direct debit option whereby its customer can pay for the goods or services by a secure password enabled transfer of funds from their account to the merchant account.

7. E-CRM TECHNIQUES USED BY BANKS IN INDIA:

Banks leveraging technology can develop innovative customer solutions to attain growth with profitability within the framework of sound risk-management practices. Techno savvy banks are tapping into online services to initiate a new era in relationship management to create one to one relationships as well as one too many relationships to enhance their competitive advantage. Recent developments in critical areas of IT have changed the way banks are managing their customer relationships. The following are some of the latest e-CRM techniques used by banks in offering new products and services to its customers.

Internet banking:

Internet is being used by banks to disseminate information to customers about bank's products and services through their websites. The banking services are provided through Net with convenience of ease and accessibility. Internet banking offers many benefits to the banks viz. vast reach, reduced transaction costs, direct marketing and cross selling, build bank's brand, etc. It also offers benefits to customers' viz. reduced cost, convenience, banking with the bank and not the branch, speed, better cash management, etc. The new private sector banks – ICICI Bank, HDFC Bank, UTI Bank and the Global Trust Bank have taken the lead in Net Banking.

Data Warehousing and Data Mining:

This technique is used to develop and use customer data to check their profile, retention and loyalty patterns. They provide valuable inputs for retaining customers and developing products and services for the future.

ATMs:

At present installed number of ATMs in the country is 1800, which is likely to be more than 4000 by next year. Most of the demand for this technology is coming from State owned banks. Until now, ATM services have been confined to deposits and withdrawal from bank accounts by customers. The growth in ATMs has been fuelled by a race among banks to expand their customer base by going in for more value added services (bill payments and ticketing services) on these machines.

Tele banking or Mobile banking:

These services empower the customer with an instant access to routine queries and transaction or check bank balances.

Computerized decision support system:

This helps the banks in applying optimization techniques in functional areas such as, asset–liability management, optimization of investment portfolios and asset portfolios through linear programming. This is a practical tool which helps the bank managers and customers in optimizing investment decisions.

E-mail:

Banks can maintain the list of its best customers and inform these members through Email the various services and schemes offered by the bank. These days this is considered as one of the cheapest and effective means of communication.

Computer networking:

Networking between the branches of divisional, regional, zonal and head office of banks provide access to customer data base from the executive desk. This will integrate the front-office applications with back-office requirements, thus generating MIS for branch managers and executives at the different controlling offices including Head office for accurate, speedy and cost-effective customer services.

Customer smart cards:

These cards are issued to key customers which carries all the relevant information, details of previous and repeat purchases, to make it convenient for the customers to recall and for the banks to keep a track of the behavioural and purchase trends. Utilities like BEST in Mumbai are already using smart cards for ticketing in its luxury buses.

Analytical CRM:

Analytical CRM aims at storing, analyzing and applying the knowledge about ways to approach customers, typically using data mining. Analyzing customer relationships from a lifetime perspective is critical for success. The Data Monitors report titled "Analytical CRM," forecasts that global enterprise investment in analytical CRM will grow from an estimated $2.3 billion today to more than $3 billion in 2009. By employing analytical CRM analytics, businesses stand to gain a fuller understanding of their customers in order to serve them better, thus increasing customer longevity and generating more profit. Analytical CRM is the active collection, concentration and analysis of data gathered about the customer and his interactions with the business.

8. E-CRM FUTURE PROSPECTS

McKinsey survey reveals that the global market for IT-enabled services would be $140 billion by 2008, of which $17 billion could belongs to India. Out of this, India has about $450 millions e- CRM market. To take advantage of this growing market, global giants like PeopleSoft, SAP, Baan, Nortel, Talisma Corporation, Oracle Corp., Pivotal, and Siebel Systems are planning to invest in India so as to provide e-CRM software's and services to Indian companies including banks. This will facilitate the e-CRM in Indian banks. On account of factors such as rise in the depositor base of banks and an increasing tendency among the new generation banks to diversify into web-enabled services, the number of net bank registrations has sky-rocketed. World-wide trend shows that net banking is perceived as a convenient and fast way of doing banking business and is fast gaining grounds. In Australia, the banks that do not provide net banking facility and do not share information over the net are considered 'dead ducks'. In spite of all these advantages, IT-enabled banking is subject to severe constraints and limitations. Firstly, the use of web banking by customers has been by and large limited to balance enquiries and making utility bill payments. Secondly, for online banking to reach a critical mark we need requisite infrastructure in terms of availability of personal computers, adequate bandwidth and uninterrupted power supply, which presently is lacking in India. Thirdly, the awareness about the online banking even among the upper echelons of society is very poor. Lastly people are insecure about the security offered by online banking. Hackers have managed to crack into even the Pentagon and NASA web servers, besides a host of other high security sites. Once these issues relating to infrastructure and security are resolved IT-related services will get a big boost in Indian Banks. Indian government, being aware of the problems relating to e-transaction has already passed a bill on IT on May 17, 2000. The bill involves legal provisions relating to piracy, defamation, advertising, taxation, digital signatures, copyrights and trade secrets in the cyber-world. The bill intends to facilitate e-business by removing legal uncertainties created by new technologies.

9. CONCLUSION

In an e-world where, business is done at the speed of thought, the real challenge for the future lies in anticipating the demands of the new age and providing sustainable solutions. CRM strategy must cover all the market segments such as retail customers, Indian corporate sector, trade and agricultural sector for their banking requirements. The banks must adopt e-CRM 'Customer-centric' focus approach, as it is believed that products should be devised for the customers and not the other way around. Banks must build their brand image in assuring customers about the safety of their money and security of transaction on the Net. Moreover, CRM based alone on Internet will seems to be a wrong strategy for banks in India. Jose Fonellosa of Spain BBVA, which acquired first e-CRM, says internet is at best a zero sum game for banks. For high end products, customer cannot only rely on e-banking. For social interactions, people would like to visit their traditional brick and mortar branches. Thus Customer Relationship Management is essential to compete effectively in today's marketplace. Banks in India are on the learning curve of e-CRM and are trying to meet the latent needs of the customers. The success of e-CRM will depend upon the development of robust & flexible infrastructure, e-commerce capabilities, and reduction of costs through higher productivity, lower complexity and automation of administrative functions.

REFERENCES:

1. Chaudhary Sudhir, "Customer Relationship Management", Computer Today, October16-31, 2000.
2. Philip Kotler, (1999) "Marketing Management: Analysis, Planning, Implementation andcontrol, "Englewood cliffs, Prentice Hall, New Jersey.
3. Padwal S.M. "Need for redesigning information Technology (IT) / Information system (IS) Architecture in Indian Banks Prajnan, August 2000.
4. Anu Putney and M M Puney"A Study on the Role of Customer Relationship Management(CRM) in the Indian banking sector "Vol,3"Issue.2,April-june 2013, ISSN : 2230-9519 (Online) | ISSN : 2231-2463 (Print).
5. Dr Nishikant Jha and Prof (Mrs) Shraddha Mayuresh Bhome "A Study of CRM-as a Strategic Tool Adopted by banks with Reference to Axis Bank in Thane City"Volume.3,Issue.5,May 2013,Issn No.555X
6. http://simplemanagementtheory.blogspot.in/2012/11/benefits-of-crm-to-banks.html.
7. http://www/ehow.com/fact 6883122 importance-crm-banking-sector.html.
8. http://managementstudyguide.com/importance-of-crm.html

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

IMPACT ON WORK-LIFE BALANCE OF WOMEN EMPLOYEES IN INDIAN BANKING SECTOR

KATKOORI. SUSHMITHA
Research Scholar, public administration & Human Resource Management, Kakatiya University, warangal

Abstract: *Work-life Balance describes the balance between an Individual's work and personal life. Work-life balance is a broad concept which includes proper Prioritizing between career and ambition on one hand, compared with pleasure, leisure, family and spiritual development on the other. Work-life balance is about creating and maintaining supportive and healthy work environments, which enables the employees to have a balance between the work and personal responsibilities and thus strengthen employee loyalty and productivity. The challenge of work-life balance is one of the most significant struggles faced by modern employee. The challenge of balancing one's work and personal life is experienced around the globe. The Organizations throughout the world must respond to the struggles employees are facing and implement the effective work-life initiatives. Work-life balance assumes greatest significance when the demands of one's work and the life aspects seem equally critical at the same point in time. Many employees find work-life balance as a challenge after marriage or after giving birth to a child. Both demands seem to be fair in their perspective and hence it's a challenge to balance at any time. Work-life balance is defined differently by different scholars. Work-life balance is the absence of unacceptable level of conflict between work and non-work demands. It is the satisfaction and good functioning of work and at home with a minimum of role conflict. This research has to identify the problems and practices of Work-life balance of women employees in banking sector.*

Key words*: Work-life Balance, women employees, banking sector, working arrangements and flexi time.*

1. INTRODUCTION:

The word Work-Life Balance is sometimes considered as interwoven with Work-family conflict. Work-Life Balance is defined differently by different scholars. Work-Life Balance is the absence of unacceptable level of conflict between work and non-work demands. It is the satisfaction and good functioning of work and at home with a minimum of role conflict. Work-Life Balance is the relationship between time and space of work & non-work in societies where income is predominantly generated and distributed through labor markets. Work-Life Balance achievement means finish something successfully, especially after trying hard or receiving what one wants. Enjoyment does not mean happiness but it means pride, satisfaction, happiness, celebration, love a sense of wellbeing and all the joys of living. Achievement and enjoyment are the two sides of the coin value in life. Work-life balance is a concept which recognizes the need for employers to support workers in achieving a balance between the demands of their work and the demands of home and family responsibilities (including the care of children, older people and sick family members).

1.1. DEFINITION:

Work–life balance is defined as an employee's perception that multiple domains of personal time, family care, and work are maintained and integrated with a minimum of role conflict. Work life balance means "satisfaction and good functioning at work and at home, with a minimum of role conflict".

1.2. EMPLOYER'S ROLE IN WORK-LIFE BALANCE:

From the past surveys, it was found that an overwhelming majority of employees support the concept of work-life balance. In fact, it has become a legal necessity where the concept of "Equal Opportunity Employer" is almost mandatory. When attrition is a major concern in all sectors, employer should feel it wise to adopt worker-friendly practices. Employer can facilitate Work-Life Balance with many schemes that can attract employees and satisfy their needs. Some of the facilities are child care, Flexi-timings, Work sharing, Part time employment, Leave plans both paid and unpaid-to suit employees needs.

2. REVIEW OF LITERATURE

MS. Lakshmipriya & MS. Neena (2008) in their study evidence "Working women getting caught in the work-life balance trap will continue to be an ongoing challenge. Plan, prioritize and schedule as efficiently as possible and don't be afraid of hard work. Work-life balance is a person's control over the conditions in their work place. Work to live, don't live to work.

Tanuja Agarwal (2007) says that work life balance is the term used to describe those practices at workplace that acknowledge and aim to support the needs of employees in achieving a balance between the demands of their family (life) and work lives. The work life balance is about people having a measure of control over when, where and how they work. It is achieved when an individual's right to a fulfilled life inside and outside paid work is accepted and respected as the norm, to the mutual benefit of the individual, business and society.

Gunavathy and Suganya (2007) have researched among married women employees of BPO companies and traced the causes, consequences of work life imbalance and interventions for work life balance. The causes for work life imbalance were classified as organizational and personal factors. The organizational factors included work-related factors, time-related factors and relationship-related factors. The personal factors included lack of family support, marital conflicts and frequent change in sleeping patterns. According to the study, the three main consequences of work-life imbalance were stress and burnout, ill-health and poor work performance. The respondents also experienced guilt of not being able to spend time with family, anxiety about poor performance, displacement of negative emotions on family members and on co-workers.

Kiran Bedi (2008) say that women as a new class of leaders can play a very transformative role in the society. There is a transformation in the way the educated and the professional women of today are bridging up and supporting their families, as they are now equal bread earners and also work out of home like the men. They are now at par with the men in professional skills and even financial returns.

Vanitha & Meenakumari (2011) in their study entitled "Family Vs Work Conflict among Working Women in India with Special Reference to IT, Education and Banking Sector" state that conflict as the incompatibility faced by an individual among themselves and with other objects in various situations. The consequences of conflict normally cause psychological and physical illness among the individuals. The level of impact due to conflict will differ between men and women, because of their physical and psychological pack up.

Susi & Jawaharran (2011) in their article titled "Work-Life Balance: The key driver of employee engagement" narrated that the workplace culture comprises the employee's attitudes, belief systems, value systems, work ethics, behavior which characterize the functioning of a group or organizations. Workplace culture includes the beliefs, attitudes, practices, norms and customs that characterize a workplace.

Rohini Shivananda and Ashok H. S. (2012) have showed that married women mechanics have relatively a higher degree of psychological well-being, work life balance but also tend to have a higher degree of stress compared to those unmarried. Unmarried mechanics on the other hand tend to have external locus of control and a greater degree of family life satisfaction. It is found that a lower degree of stress has led to a higher degree of work-life balance and higher degree of psychological well-being and family life satisfaction accounts for the higher degree of work-life balance. An orientation towards extrinsic work-locus of control has led to a higher degree of work-life balance, psychological well-being, family life satisfaction and a lower degree of stress in the mechanics.

2.1. OBJECTIVES OF THE STUDY:

- To study the Work-life Balance problems of married working women across their demographic characteristics.
- To find out present practices fallowed by women employees for Work-life Balance in banking industry.

2.2. HYPOTHESIS:

H01: Demographic factors do not have an influence on Work-life Balance of women employees.

H02: The policies of the organization do not have an impact on work life balance; Family Responsibilities does not have an impact on Work-Life Balance of women employees.

3. RESEARCH METHODOLOGY:

PRIMARY DATA:

The data which is collected directly from the respondents is called primary data. And it is collected through structured questionnaire.

SECONDARY DATA:

The secondary data is collected from the Books, Periodicals, Manuals, Newspapers, and from the internet.

Statistical Tools

Percentage analysis

"Percentage method" refers to a specified kind of statistical analysis which is used in making comparison between two or more series of data. Percentages are based on descriptive relationship. It compares the relative items. Since the percentage reduces multiple observations to a common base, this method allows meaningful comparison among various set of data.

$$\text{Percentage} = \frac{\text{Total number of Responses}}{\text{Total Number of respondents}} \times 100$$

Sample size

Data is collected from the 40 Female respondents (employees) of banking sector in Warangal.

3.1. WOMEN AT WORK PLACE:

Women are no longer shying away from the typical so-called male bastions be it education or career. The all women flying crews, police stations and even security teams are only a tip of the iceberg. The entrepreneurial skills of a woman are far superior to those of a man, for she is not the one to give up easily. Further, Watson Wyatt's study indicates that by 2016 woman in India are likely to achieve educational parity with men. We salute that woman employee who carries the baby in her womb and the project deadline in her mind with equal ease and aplomb. It Is no longer a woman behind every successful man but a case of a woman behind every successful activity now.

3.2. BENEFITS OF WORK-LIFE BALANCE TO INDIVIDUALS:

The benefits of work-life balance to individuals are as;

- clarity in Performance
- Completion of work within the scheduled time
- Reducing the level of Intra individual conflicts and Inter individual conflicts between work and family roles
- stress free and good quality of work-life
- self management
- Healthy family environment
- High morale
- Personal satisfaction and Good health (both Physical and mental health).

3.3. BENEFITS OF WORK-LIFE BALANCE TO ORGANIZATION

The benefits of work-life balance to organization are as follow;

- Increase in the productivity
- Increase quality in product/service
- Reduction in the staff turnover rates
- Reduction in the costs associated with recruitment, training and turnover
- Increase in the rate of return on investment in training
- Reduction in absenteeism rate
- Good health and safety work environment
- Greater employee loyalty
- More commitment towards the job
- Reduction in the rate of sick leave etc

3.4. POLICIES OF WORK-LIFE BALANCE:

A number of work-life balance policies have been undertaken by the organizations and various researchers. These included Parental leave, Maternity leave, Adoption leave, Flexible work timings, job sharing, Job splitting, compressed working week, Annual hours system, Telecommuting, Supervisory training in work family sensitivity, On site day care, Emergency child care, Elder care arrangements.

4. ANALYSIS AND RESULTS:

The researcher analyzed problem of married working women across demographic characteristics and present practices followed by women employees for work-life balance in the banking sector. And the gathered information is presented in the table shows that out of 40 respondents.

4.1. AGE OF EMPLOYEES:

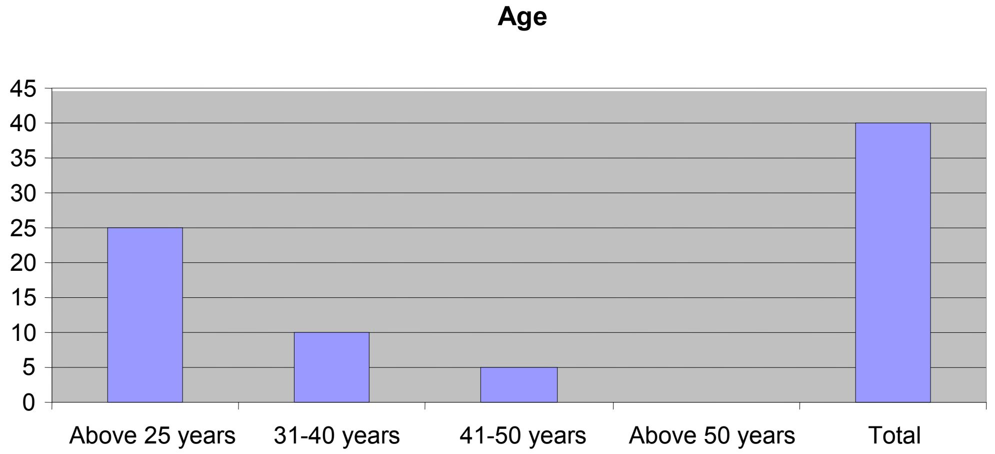
Women employees working in banking sector from Warangal is selected for the study.

Table - 1

Particulars	Women employees	
	F	%
Above 25 years	25	62.5
31-40 years	10	25
41-50 years	5	12.5
Above 50 years	0	0.00
Total	**40**	**100.00**

Source: Primary Data from the field Survey

CHART 1.1



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in Warangal 62.5 percent are in the age group of above 25 years, 25 percent are between the age group of 31-40 years, 12.5 percent are between the age group of 41-50 years and no employee is above 50 years of age.

4.2. MARITAL STATUS:

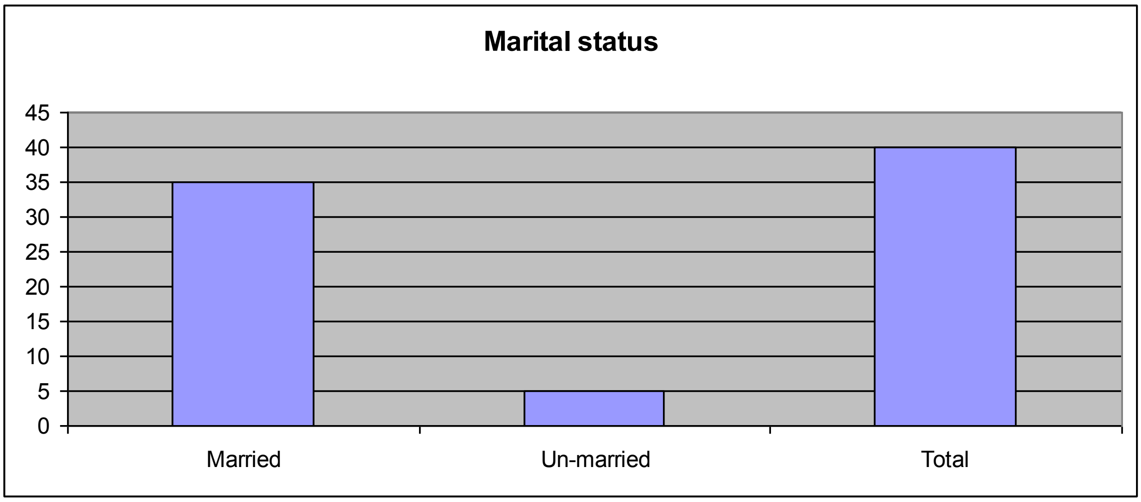
Women employees working in banking sector from Warangal is selected for the study.

Table 2

Particulars	Women employees	
	F	%
Married	35	87.5
Un-married	5	12.5
Total	**40**	**100.00**

Source: Primary Data from the field Survey

CHART 2.1



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in warangal 87.5 percent are married, and 12.5 percent are un-married.

4.3. DESIGNATION:

Women employees working in banking sector from Warangal is selected for the study.

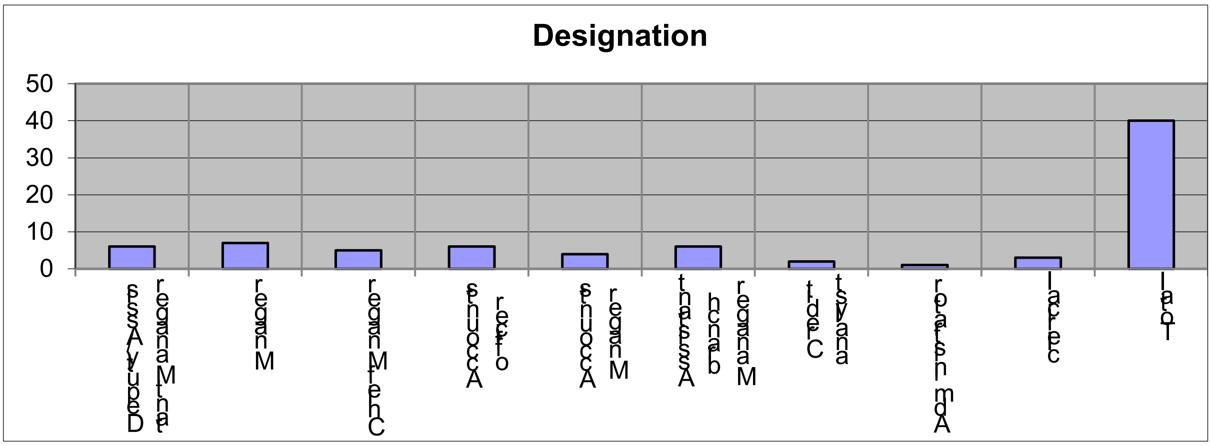
Table 3

Particulars	Women employees	
	F	%
Deputy/assistant manager	6	15
Manager	7	17.5
Chief Manager	5	12.5
Accounts officer	6	15
Accounts Manager	4	10
Assistant branch Manager	6	15
Credit analyst	2	5
Administrator	1	2.5

Clerical	3	7.5
Total	**40**	**100.00**

Source: Primary Data from the field Survey

CHART 3



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in Warangal 15 percent of the employees perform the duties of Deputy/Assistant Manager, 17.5 percent of the employees perform the duties of Manager, 12.5 percent of the employees perform the duties of Chief Manager, 15 percent of the employees perform the duties of Accounts officer,10 percent of the employees perform the duties of Accounts Manager, 15 percent of the employees perform the duties of Assistant branch managers, 5 percent of the employees perform the duties of Credit analyst, 2.5 percent of employees perform the duties of Administrator, 7.5 percent perform the duties of Clerical in the banking sector.

4.4. BANKS OF WOMEN EMPLOYEES:

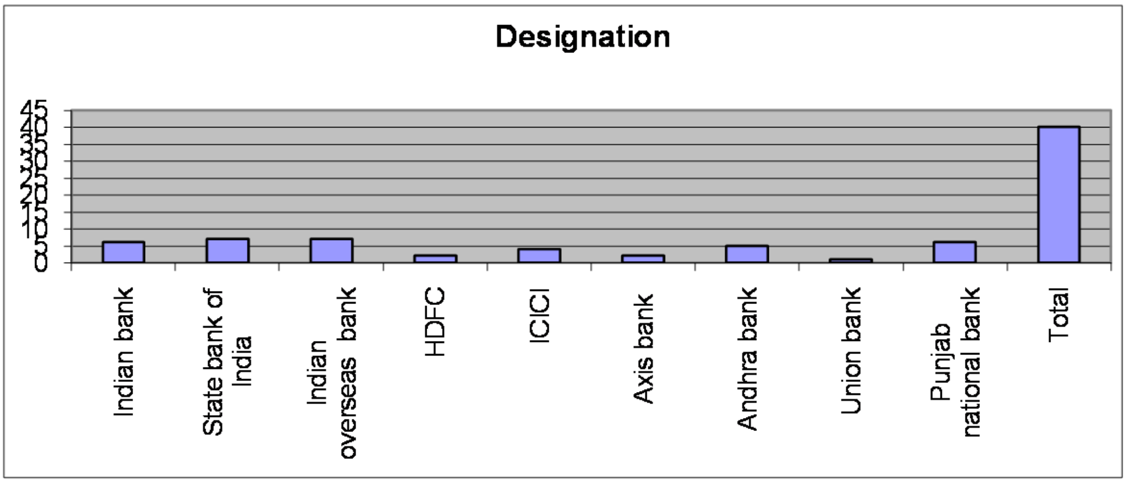
Women employees working in banking sector from Warangal is selected for the study.

Table 4

Particulars	Women employees	
	F	**%**
Indian bank	6	15
State bank of India	7	17.5
Indian overseas bank	7	17.5
HDFC	2	5
ICICI	4	10
Axis bank	2	5
Andhra bank	5	12.5
Union bank	1	2.5
Punjab national bank	6	15
Total	**40**	**100.00**

Source: Primary Data from the field Survey

CHART 4.1



- **INTERPRETATIONS:** Table shows that, out of 40 respondents of banking sector in Warangal 15 percent of the employees perform the duties in Indian bank, 17.5 percent of the employees perform the duties in State bank of India, 17.5 percent of the employees perform the duties in Indian overseas bank, 5 percent of the employees perform the duties in HDFC, 10 percent of the employees perform the duties in ICICI bank, 5 percent of the employees perform the duties in Axis bank, 12.5 percent of the employees perform the duties in Andhra bank, 2.5 percent of employees perform the duties in Union bank, 15 percent perform the duties in Punjab national bank.

4.5. EDUCATIONAL QUALIFICATION:

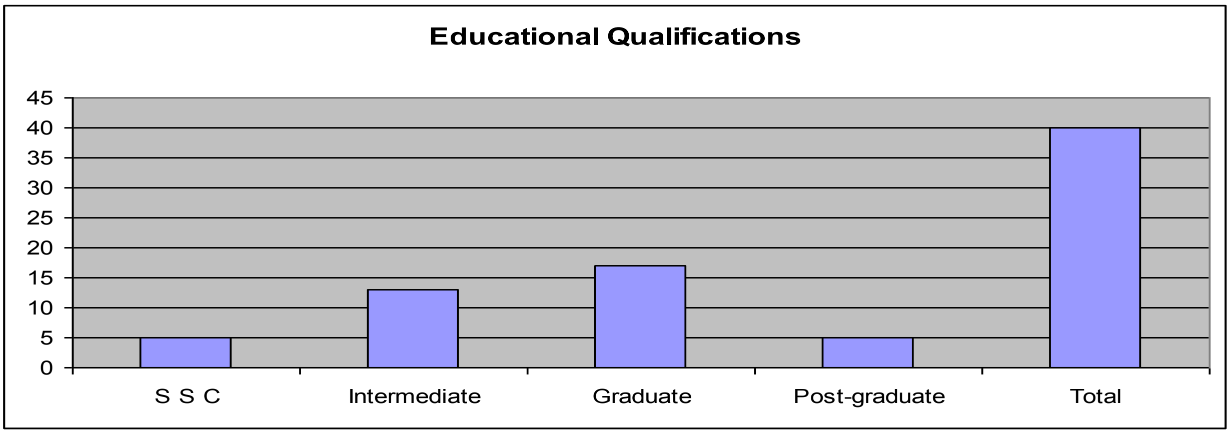
Women employees working in banking sector from Warangal is selected for the study.

Table 5

Particulars	Women employees	
	F	%
S S C	5	12.5
Intermediate	13	32.5
Graduate	17	42.5
Post-graduate	5	12.5
Total	**40**	**100**

Source: Primary Data from the field Survey

CHART 5.1



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in warangal 12.5 percent are S S C Qualified, 32.5 percent employees are intermediate, 42.5 percent are graduates and 12.5 are post-graduates.

4.6. NATURE OF EMPLOYMENT:

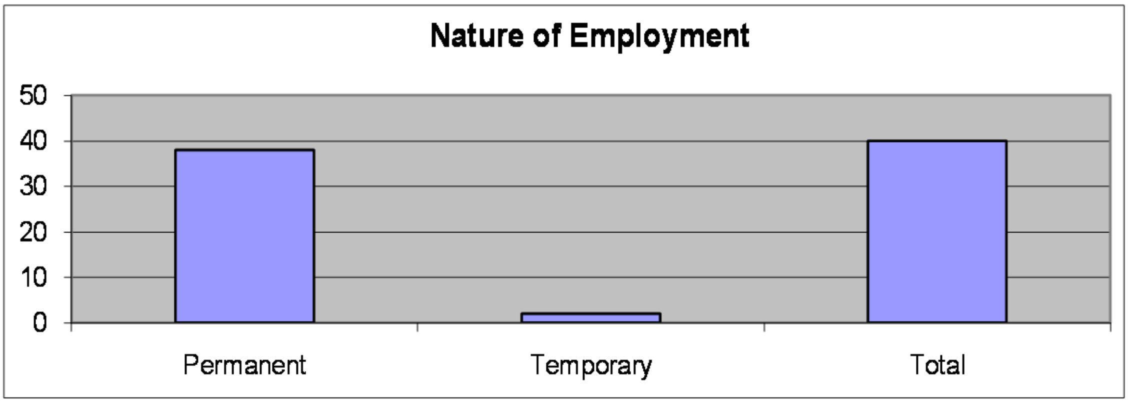
Women employees working in banking sector from Warangal is selected for the study.

Table - 6

Particulars	Women employees	
	F	%
Permanent	38	95
Temporary	2	5
Total	**40**	**100.**

Source: Primary Data from the field Survey

CHART 6.1



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in Warangal 95 percent are permanent employees and the remaining 5 percent are temporary employees.

4.7. MONTHLY SALARY:

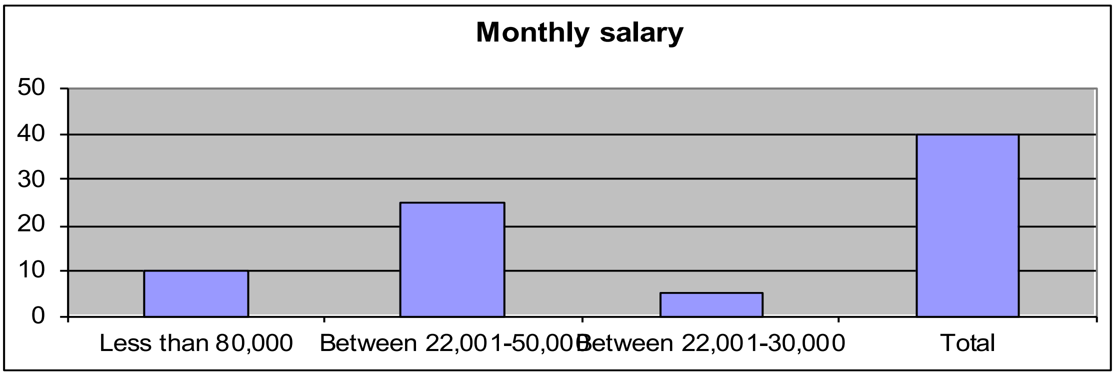
Women employees working in banking sector from Warangal is selected for the study.

Table 7

Particulars	Women employees	
	F	%
Less than 80,000	10	25
Between 22,001 -50,000	25	62.5
Between 20,001 -30,000	5	12.5
Total	40	100

Source: Primary Data from the field Survey

CHART 7.1



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in warangal 25 percent of the employees get a monthly salary less than Rs 80,000, 62.5 percent of the employees get a monthly salary between Rs 22,001 –Rs 50,000, 12.5 percent of the employees get a monthly salary between Rs 22,001 – Rs 30,000.

4.8. EXPERIENCE IN THE ORGANIZATION:

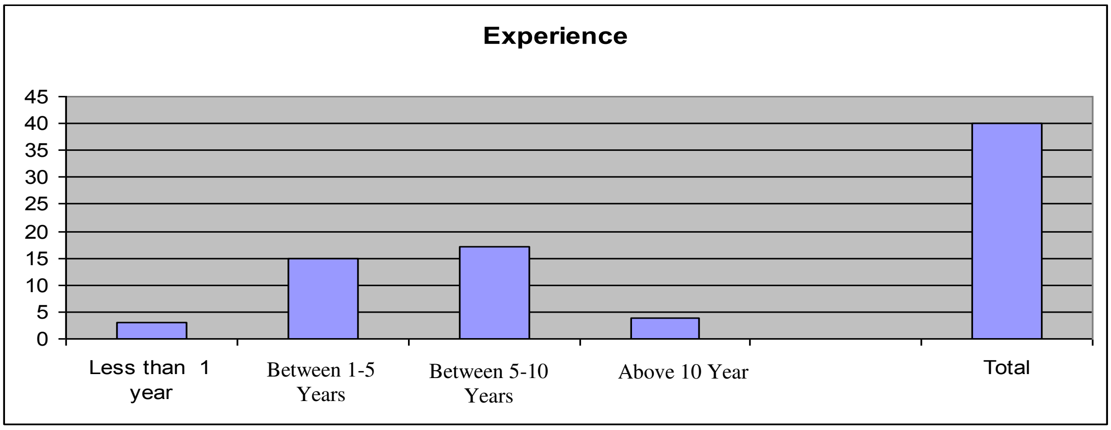
Women employees working in banking sector from Warangal is selected for the study.

Table 8

Particulars	Women employees	
	F	%
Less than 1 year	3	7.5
Between 1-5 years	15	37.5
Between 5-10 years	17	42.5
Above 10 years	4	10
Total	**40**	**100**

Source: Primary Data from the field Survey

CHART8.1



- **Interpretations:** table shows that, out of 40 respondents of banking sector in Warangal 7.5 percent of the employees experience is less than 1 year in the organization, 37.5 percent of the employees experience is between 1-5 years, 42.5 percent of the employees experience is between 5-10 years, and 10 percent of the employees experience is above 10 years in the organization.

4.9. TYPE OF FAMILY STRUCTURE

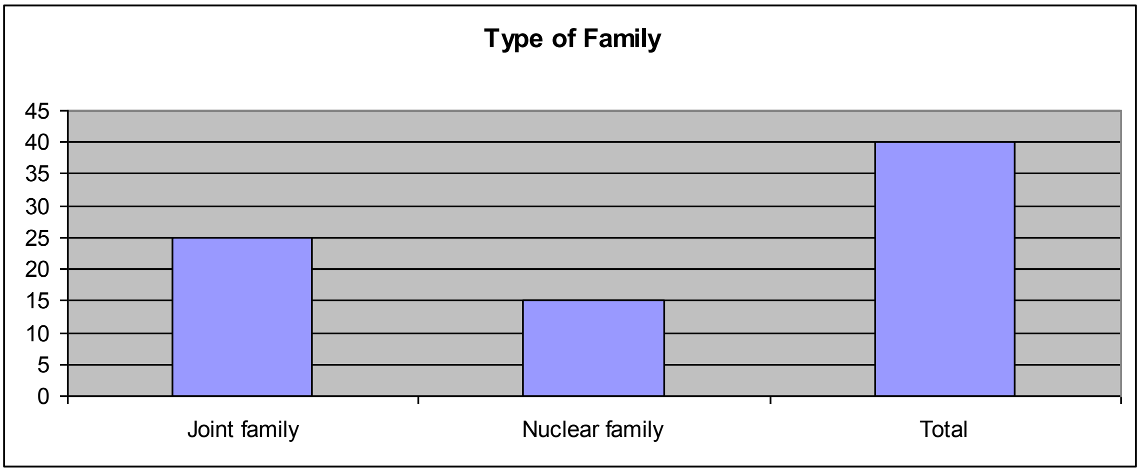
Women employees working in banking sector from Warangal is selected for the study.

Table 9

Particulars	Women employees	
	F	%
Joint family	25	62.5
Nuclear family	15	37.5
Total	40	100

Source: Primary Data from the field Surv

CHART 9.1



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in Warangal 62.5 percent of the employees live in a joint family structure/system and the remaining 37.5 percent of the employees have nuclear family structure /system

4.10. NUMBER OF DEPENDENTS IN THE FAMILY:

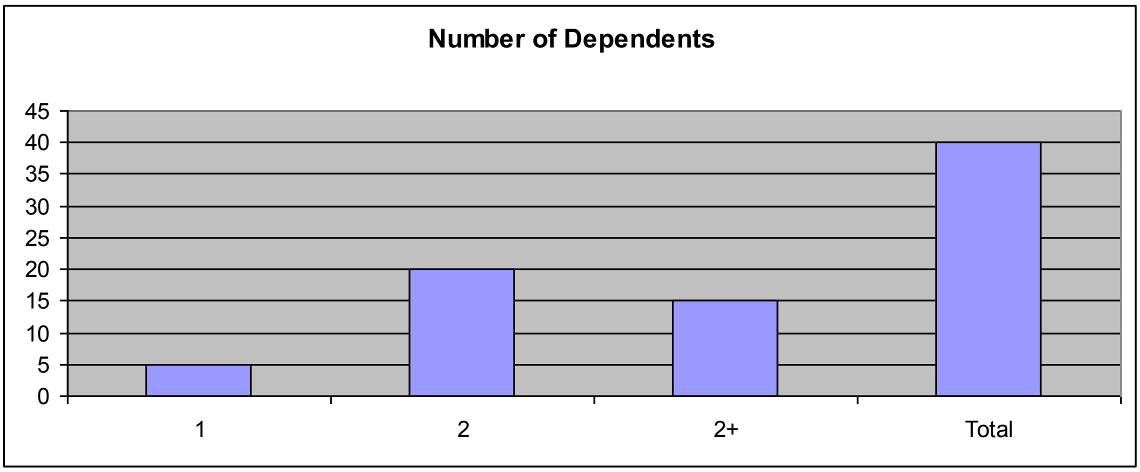
Women employees working in banking sector from Warangal is selected for the study.

Table - 10

Particulars	Women employees	
	F	%
1	5	12.5
2	20	50.0
2+	15	37.5
Total	40	100

Source: Primary Data from the field Survey

CHART 10.1



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in Warangal 12.5 percent of the employees have one dependent, 50.0 percent of the employees have two dependents and 37.5 percent of the employees have more than two dependents in their families.

4.11. NUMBER OF DEPENDENT CHILDREN IN THE FAMILY:

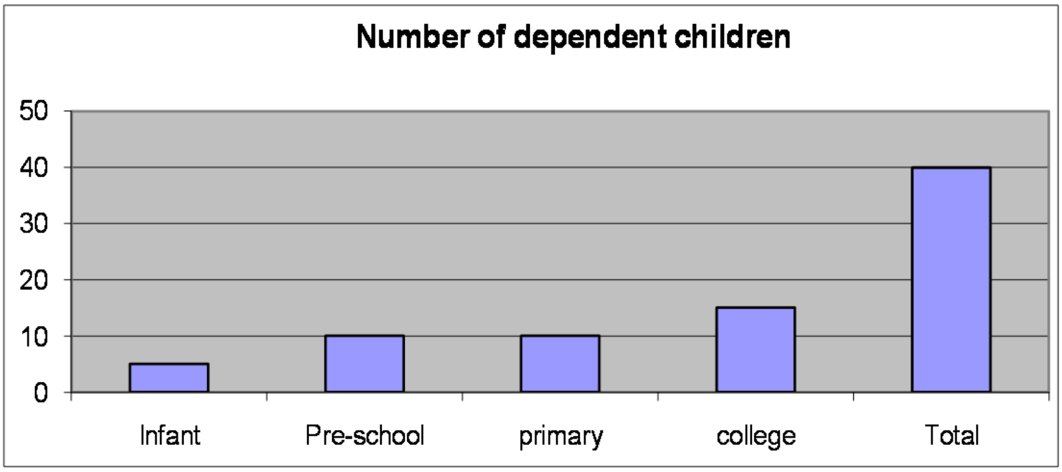
Women employees working in banking sector from Warangal is selected for the study.

Table 11

Particulars	Women employees	
	F	%
Infant	5	12.5
Pre-school	10	25.0
Primary	10	25.0
College	15	37.5
Total	**40**	**100**

Source: Primary Data from the field Survey

CHART 11.1



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in Warangal 12.5 percent of the employees have infant children, 25.0 percent of the employees have pre-school going children, 25.0 percent of the employees are having school going children and the remaining 37.5 percent of the employees are having college going children

4.12. ARE YOU ABLE TO BALANCE TO YOUR WORK-LIFE:

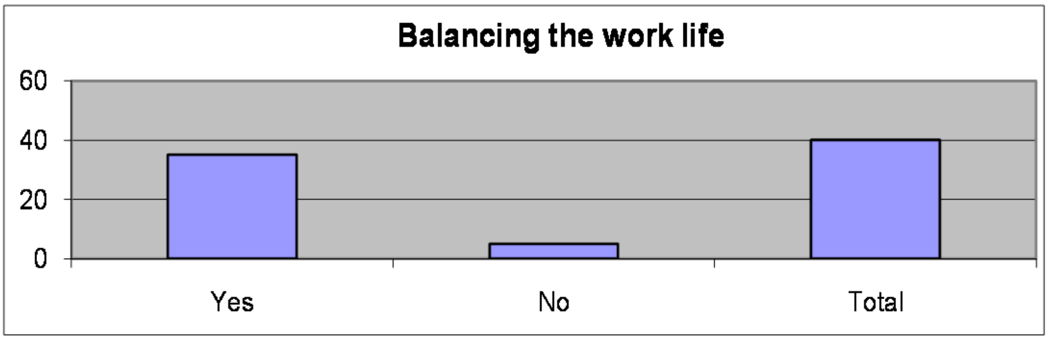
Women employees working in banking sector from Warangal is selected for the study.

Table 12

Particulars	Women employees	
	F	%
Yes	35	87.5
No	5	12.5
Total	**40**	**100**

Source: Primary Data from the field Survey

CHART12.1



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in Warangal 87.5 percent of the employees have expressed that they are able to balance their work life and 12.5 percent of the employees have expressed that they are not able to balance their work life.

4.13. FREQUENCY OF LEAVE AVAILMENT DUE TO FAMILY PROBLEMS IN A MONTH:

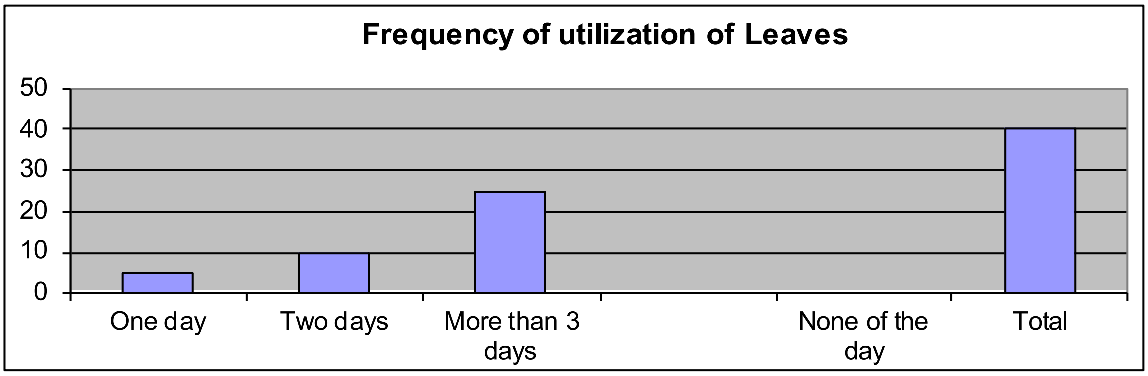
Women employees working in banking sector from Warangal is selected for the study.

Table - 13

Particulars	Women employees	
	F	%
One day	5	12.5
Two days	10	25
More than 3 days	25	62.5
None of the day	0	0.0
Total	**40**	**100**

Source: Primary Data from the field Survey

CHART 13.1



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in Warangal 12.5 percent of the employees have expressed that they avail only one day of leave in case of family problems, 25 percent of the employees expressed that they avail two days of leave in case of family problems and 62.5 percent of the employees expressed that they avail more than three days of leave in case of family problems.

4.13. FAMILY SUPPORTS FOR YOUR PRESENT WORK PRESSURE:

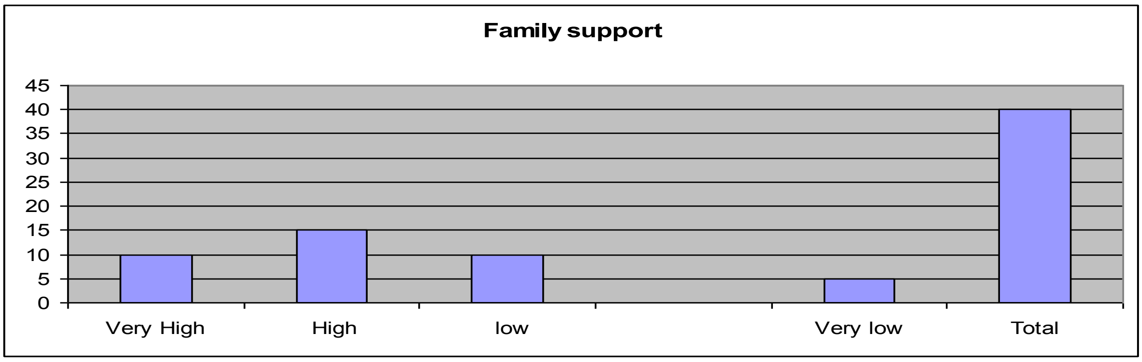
Women employees working in banking sector from Warangal is selected for the study.

Table 14

Particulars	Women employees	
	F	%
Very High	10	25
High	15	37.5
Low	10	25
Very low	5	12.5
Total	**40**	**100**

Source:Primary Data from the field Survey

CHART 14.1



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in Warangal 25 percent of the employees have expressed that they get very high support from their family members in situations of work pressure, 37.5 percent of the employees have expressed that they get high support from their family members in situations of work pressure,25 percent of the employees have expressed that they get low support from their family members in situations of work pressure and 12.5 percent of the employees have expressed that they get very low support from their family members in situations of work pressure.

4.14. RESPECT AND COOPERATION FROM CO-WORKERS, CUSTOMERS, AND SUPERIORS:

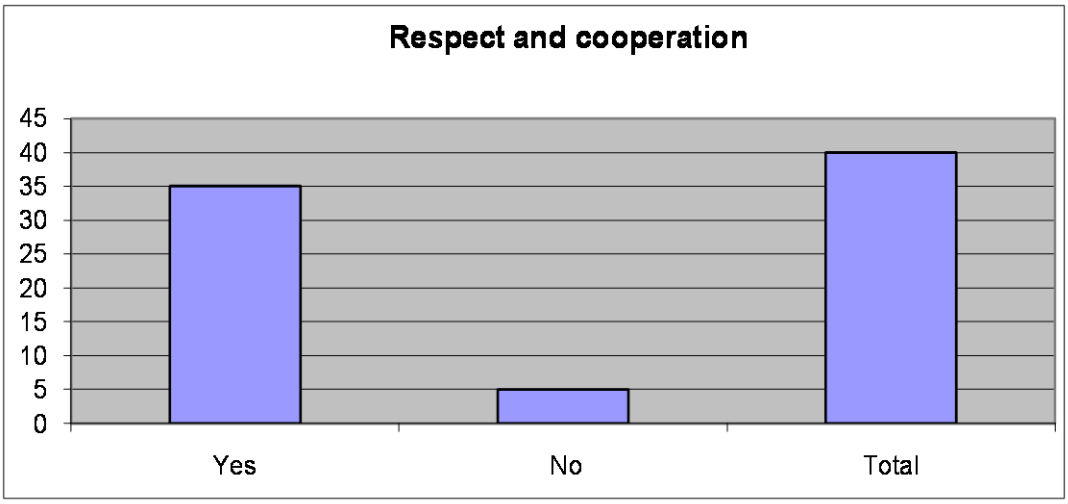
Women employees working in banking sector from Warangal is selected for the study.

Table 15

Particulars	Women employees	
	F	%
Yes	35	87.5
No	5	12.5
Total	**40**	**100**

Source: Primary Data from the field Survey

CHART 15.1



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in Warangal 87.5 percent of the employees expressed that they get respect and the cooperation from the co-workers, customers, and superiors and 12.5 percent of the employees expressed that they do not get respect and the cooperation from the co-workers, customers, and superiors.

4.15. AVAILABILITY OF ON-SIGHT FIRST AID AND PRIMARY HEALTH CARE PROVIDED IN EMERGENCY:

Women employees working in banking sector from Warangal is selected for the study.

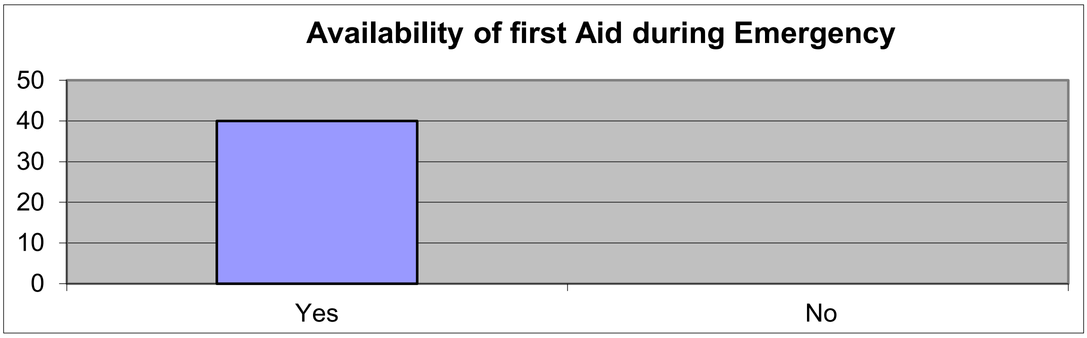
Table 16

Particulars	Women employees	
	F	%
Yes	40	100
No	0	0.0
Total	**40**	**100**

Source: Primary Data from the field Survey

The same is shown in the following figure.

CHART 16.1



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in Warangal 100 percent of the employees have expressed that they get on-sight first Aid and primary health care in emergency.

4.16. MANAGEMENT PROVIDING EMPLOYEE WELFARE ACTIVITIES (HOUSING FACILITY, CHILDREN EDUCATION AND HEALTH CARE)

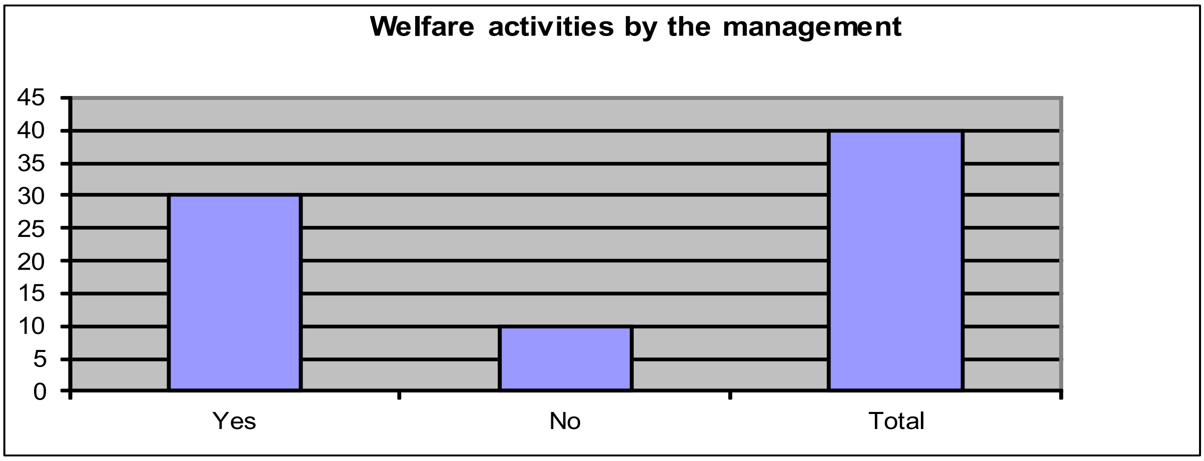
Women employees working in banking sector from Warangal is selected for the study.

Table 17

Particulars	Women employees	
	F	%
Yes	30	75
No	10	25
Total	**40**	**100**

Source: Primary Data from the field Survey

CHART 17.1



- **INTERPRETATIONS:** table shows that, out of 40 respondents of banking sector in Warangal 75 percent of the employees have expressed that the management takes up welfare activities in providing Housing facility, Children education and health care and 25 percent of the employees have expressed that the management does not take up welfare activities in providing Housing facility, Children education and health care.

5. SUGGESTIONS OF THE STUDY:

- Banks should provide job sharing among the colleagues with them.
- Banks should provide regular exercises; yoga, meditation and other soft skill practices can improve balance of the employees.
- Family members happy support them at household work will help them to balance work-life.
- Employees require policies like flexible working hours in starting or ending time.

6. CONCLUSION:

Work and family life have been an integral part of a woman's life. These two together forms an integrated whole and therefore attracts a lot of attention. The need to study the inter-linkages becomes all the more important with an increasing number of women entering the banking sector. Women constitute an important section of the workforce. Achieving a good balance between work and family commitments is a growing concern for contemporary employees and organizations. There is now mounting evidence-linking work–life imbalance to reduce health and wellbeing among individuals and families. Work-life balance policies are most likely to be successfully mainstreamed in organizations which have a clear understanding of their business rationale and which respect the importance of work-life balance for all employees.The result of this research indicated that many women employees are having awareness on work–life balance issues and the laws governing them. They are able to balance their work and life. The study also analyzed age, marital status, experience, salary, family dependents cooperation from superiors, procedures and policies and other family and environmental related factors which are more supporting for women employees. The study concluded that demographic factors did not show any impact/influence of the work-life balance of women employees in banking sector. The research concludes that work-life balance is prevailing in banking sector and still it recommends that the policies supporting work-life balance need to be continued further so that it enhances the performance of the organization and the individuals.

REFERENCES:

JOURNAL PAPERS

1. Greenhaus, J.HandBeutell, N.J., "Sources of Conflict between work and Family Roles",Academy of Management Journal, 10(1), 1985, pp.76-88.
2. Vanitha & Meena kumara.S., 'Family Vs Work Conflict among working women in India with special reference to IT, Education and Banking sector', International Journal of Research in commerce, IT and Management, ISSN 2231-5756, Vol No.1(2011), Issue No.6.Nov.pp113-119.
3. Susi.S and Jawaharrani.K (2011) 'Work-Life Balance: The key driver of employee engagement', Asian Journal of Management Research, Volume 2Issue 1, 2011. Pp.474-483.
4. Rohini Shivananda, and Dr. Ashok H. S., (2012), 'Stress-Work Life Balance- Psychological Well Being Of Women Mechanics In Bmtc' Vol no. 3, Issue1 January.
5. Gunavathy (2007), 'A study of Work Life Balance in BPO sector' University of Madras, Chennai.
6. Kiran Bedi (2008), 'Empowering Women… As I See", First Edition, Sterling Publishers Pvt.Ltd., Delhi P.151.

BOOKS

1. Human Resource Management, BPP Learning Media Ltd. First Indian edition 2009. Pg. no 244. Published by Vinod Vasishtha for Viva Books Private Limited, New Delhi.
2. Clark SC (2000).Work/Family Border Theory: A NewTheory of Work/Family Balance. Human Relations 53(6): 747–770.
3. High-performance' Management Practices, Working Hours and Work–Life Balance Authors Michael White, Stephen Hill, Patrick McGovern.
4. Tanuja Agarwal (2007), 'Strategic Human Resource Management', Oxford University Press, Page 723.

WEB REFERENCES

1. MS.Lakshmipriya & MS.NEENA.S,Work life balance women employees, 22nd April 2008 website: www.indianmba.com
2. VRK Prasad-women at work place-HRM review–vol 8, issue 10, September 2008 website: www.iupindia.com

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

A STUDY ON WORK STRESS MANAGEMENT IN ANDHRA BANK WITH SPECIAL REFERENCE TO WARANGAL

A.VANAJA
Assistant professor, Chaitanya post graduate college, Warangal

Abstract: *Stress alludes to the strain show up the contention between our outer condition and us prompting passionate and physical strength. Work environment push is the destructive in wording physical and enthusiastic reaction that happens when there is a poor match between work requests and the capacities. These conditions may prompt poor work execution. Occupation stretch is likewise connected with different natural responses that may lead eventually to bargained wellbeing, for example, cardiovascular malady. Stress is a predominant and exorbitant issue in the present work environment. Around 30 percent of specialists report abnormal states of stress. Thirty percent of workers see their occupations as the main stressor in their lives. Seventy percent of workers accept the specialist has more at work worry than an age prior. Proof additionally recommends that pressure is the significant reason for turnover in associations.*

Keywords*: long time working hours, role of conflict.*

1. INTRODUCTION:

Stress refers to the strain appear the conflict between our external environment and us, leading to emotional and physical pressure. Everyone in their working atmosphere is exposed to tension and anxiety as they get through the duties assigned to them. This paper seeks to determine the impact of various constituents of occupational work stress on the employees of banking sector. The present study is limited to Andhra bank Warangal urban. Random convenient sampling was used. It was found from the results because of long time working hours, role of conflict there is high degree of occupational work stress amongst public sector bank employees.

2. REVIEW OF LITERATURE:

Shukla & Garg (2013)The author has examined that a large portion of the representatives fear with the way that need quality in their work puts weight on them. Greatest workers in banks stay in pressure. Fifty percent of representatives feel that they are over-burden with work. Forty four percent workers are strained as a result of their non-accomplishment of their objective thirty percent representatives comply with the request of their supervisor at first as opposed to their essential residential capacity. It shows dread and worry among workers. Twenty four percent workers feel worry because of their family related issues. It means such workers feel more prominent level of worry when contrasted with different representatives. Half of the representatives acknowledged that there is strife among the workers. It is a worry for top administration. 40 percent workers feel that systems utilized by banks to oversee worry of representatives are compelling. Dominant part of the workers endeavors to discover answer for diminish them from push. 50 percent representatives utilize games to de-stress. Regardless of stress, larger part of the representatives adjusts in their social life Masood(2013)The author has talked about that representatives have attempt to work with inspiration and assurance regardless of whether workers are not furnished with the help, they have to play out their undertakings with trustworthiness. They are more engaged to maintained a strategic distance from pressure and at their work put diminish specifically influences their execution. In the event that maintained a strategic distance from then turn-over are bizarrely high and in this reasonable business universe of today, if such be the proportion of worker turn-over then associations could crumple. This at last prompts increment the working conditions and the working connections among representatives in the associations. The workers are over worried amid the activity they like to disappear for few days and take rest at home. S UmaMageswari(2014)The author had made endeavor to distinguish the pressure factors (stressors) and to inspect the adapting systems among bank representatives of various areas. The scientists combine the vital perceptions recorded in the investigation as significant discoveries and makes inferences that world empower one to influence substantial to recommend particles for conditioning the pressure administration methodologies in the managing an account segment. A specific measure of pressure is a positive and pleasurable thing. It prompts profitability in mankind. Subsequently, powerful pressure administration does not generally mean limiting or wiping out pressure. It is to keep the worry at the ideal level. Despite the fact that the general pressure is direct at exhibit, it could be additionally moved to ideal level by giving uncommon thoughtfulness regarding the stressors, administrative choice strategies and employment substance. Administrative approaches in which the pressure is high at present might be changed in connection to the desires of the workers. In private banks, wanted level of pressure could be implanted by focusing on part factors notwithstanding administrative and work factors. Fundamental advances might be taken to impact the level of pressure, which exists among certain gathering of representatives. The administration should focus on representatives with more experience. Essentially, administration should endeavor to fulfill individuals at the best level, who encounter 'de stress'. Preparing on adapting techniques might be masterminded sure gatherings of workers who are more established or who have higher capabilities, since they vary in the impression of stressors as well as in the adapting systems, by influencing them to perceive the proper adapting methodologies, stress could be proactively lessened. Jayashree(2014)The author has talked about that pressure is inescapable and unavoidable in the managing an account part. Her finding uncovered that a greater part of the representatives confronts serious pressure related diseases and a considerable measure of mental issues. Henceforth, it is recommended in her examination that the administration must take a few activities in helping their representatives to conquer its sad impact. Dhankar (2015)The author had researched the word related feeling of anxiety among workers of keeping money part. There isn't a solitary factor which decides the worry in saving money workers'. Variables like work over-burden, uncertainty, weight, confliction and so on are in charge of pressure. Word related pressure has turned out to be driving component of present day life. It has colossal consequences for workers' conduct and alterations and also off the activity. A significant part of association investigate includes the investigation of worry among workers. A substantial number of issue identified with representative wellbeing, declining levels of profitability and capability is identified with word related pressure. Limiting word related worry in the coming time would be a piece of organization approach of the associations and be viewed as a basic procedure to target better worker fulfillment. Kishori (2016) expressed that profitability of work drive is the most unequivocal factor in nationalized bank representatives

3. STATEMENT OF THE PROBLEM:

From the above review we can understand that there is stress among employee of various banks and this research paper attempts to find the level of stress among bank employee of a select bank anda a select district Warangal in Telangana state.

3.1. OBJECTIVE OF THE STUDY:

- To identify the factors causing stress among banking employees
- To measure the stress level among banking employees
- To analysis the effect of such stress among bank employee.

3.2. HYPOTHESIS:

Ho**:** There is no significance difference between gender and stress.
Ho: There is no significance difference between education and stress.
Ho: There is no significance difference between age and stress
Ho: There is no association between stress and workload

4. RESEARCH METHODOLOGY:

A. Research design: Descriptive research has been conducted for the study Sample design
B. Sample design: Population of research is 75 employees of the organization and among which 50 employees were chosen for sample respondent using convenience sampling method.
C. Data collection: Primary data collected through questionnaires given to respondents

5. DATA ANALYSIS:

Table 1

Crosstab
Count

		Face Stress in organization			Total
		Mostly	Rarely	Sometimes	
Gender	Male	15	18	5	38
	female	0	4	8	12
Total		15	22	13	50

Table 1.1
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.188[a]	2	.001
Likelihood Ratio	16.923	2	.000
Linear-by-Linear Association	13.838	1	.000
N of Valid Cases	50		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 3.12.

Results
Calculated value=15.188
Table value = 5.99
Calculated value < Table value
H0 accepted. There is no significant difference between Gender and Stress in Organization

Table 2

Crosstab
Count

		Face stress in organization			Total
		Mostly	Sometimes	Rarely	
Education	undergraduate	15	12	7	34
	Postgraduate	0	10	6	16
Total		15	22	13	50

Table 2.1

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.086[a]	2	.006
Likelihood Ratio	14.426	2	.001
Linear-by-Linear Association	7.112	1	.008
N of Valid Cases	50		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 4.16.

Results
Calculated value = 10.086
Table value = 5.99
Calculated value >Table value
H0rejected There is a significant difference between education and Stress in Organization

Table - 3

Age of the respondent * stress Crosstabulation

Count

		Face stress in organization			Total
		Work environment	supervisors	workgroup	
age of the respondent	25-40	0	2	3	5
	40-50	15	0	2	17
	50-58	0	20	8	28
Total		15	22	13	50

Table - 3.1

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	45.023[a]	4	.000
Likelihood Ratio	54.718	4	.000

Linear-by-Linear Association	2.743	1	.098
N of Valid Cases	50		

a. 4 cells (44.4%) have expected count less than 5. The minimum expected count is 1.30.

H0: There is no significant difference between Age and Work stress
H1: There is a significant difference between Age and Work stress

Results
Calculated value = 45.023
Table value = 9.49
Calculated value >Table value

H0 rejected. There is a significant difference between Age and Work stress

5.1. CORRELATIONS:

H0: There is no association between Stress and workload H0: There is an association between Stress and workload
H1: There is an association between Stress and workload

Table - 4
Correlations

		Face stress in Organization	Workload
Face Stress in Organization	Pearson Correlation	1	.176
	Sig(2-tailed)		.080
	N	50	50
Workload	Pearson Correlation	.176	1

Results
Correlation < 1
H1 Accepted There is an association between Stress and workload
Positive Linear correlation

6. CONCLUSION:

Since stress in banking sector is mostly due to excess of work pressure and work life imbalance the organization should support and encourage assume roles that help them to balance work and Family. The productivity of the work force is the most decisive factor as far as the success of an organization is concerned. The productivity in turn is dependent on the psychosocial wellbeing of the employees. In an age of competitive world, every man is exposed to all kinds of stressors that can affect him on all realms of life. The importance of interventional strategies is felt more at organizational level. This particular research was intended to study the impact of occupational stress on Nationalized Bank employees. Although certain limitations were met with the study, every effort has been made to make it much comprehensive.

REFERENCES

1. Dhankar, S. (June 2015). Occupational stress in banking sector. International Journal of Applied Research , 132-135.
2. Jayashree, R. (August 2014). STRESS MANAGEMENT WITH SPECIAL REFERENCE TO PUBLIC SECTOR BANK EMPLOYEES IN CHENNAI. International Journal of Enterprise and Innovation Management Studies, Vol. 1 No. 3, 34-39.
3. Masood, A. (September 2013). Effects of Job Stress on Employee Retention: A Study On Banking Sector of Pakistan . International Journal of Scientific and Research Publications, Volume 3, Issue 9 , 1-8.
4. S Uma Mageswari, D. N. (May. 2014). Occupational Stress - A Study With Reference To Selected Bank Employees in Chennai Region . IOSR Journal of Business and Management, Volume 16, Issue 5. Ver. II, 115-125 .
5. Shukla, H., & Garg, M. R. (December 2013). A STUDY ON STRESS MANAGEMENT AMONG THE EMPLOYEES OF NATIONALISED BANKS. Voice of Research Vol. 2, Issue 3 , 72-75
6. B. Kishori A Study on Work Stress Among Bank Employees in State Bank of India with Reference to Tiruchirappalli

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

HUMAN CAPITAL MANAGEMENT IN SBI

[1]Prof. G. Y. Bhavani Prasad, [2]Dr. D. Pranathi
[1]Emiratus Prof. , Commerce & Business Management, Kakatiya Uni. Warangal, Telangana State, India.
[2]Associate Prof. & Research coordinator, CMR Technical Campus, Kandlakhoya, Hyderabad.

Abstract: *Human capital represents the human factor in the organization, the combined intelligence, skills and expertise that gives the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization. If Human Capital is organized systematically, organization can reach its goals easily. In this tough competitive world, building intellectual capital, specifically Human Capital is essential and should be strategic in focus. If the value of people is enhanced, it enhances the value of organization. This study has been conducted to find out what practices of HCM are increasing the value of Banking sector in particularly State bank of India.*
Keywords*: Human Capital Management, Strategic focus, Training, Performance and Compensation Management*

I. INTRODUCTION:

Human Capital Management has been the key factor in the success of many organizations. Human Capital Management was first coined by Nobel Prize winner and economist Theodore Schultz in the early 1960's as a way of explaining the importance of investing in education. This term was later given importance in management discipline when Mr. Prahalad and Mr. Hamel (1990) stated about the unique clusters of factors that allow an organization to be competitive and they further highlighted that Human Capital is one of these. Many defined Human Capital in Different ways. One such defined by Abeysekera and Guthrie as a combination of factors possessed by individuals and the collective workforce of a firm. It compasses knowledge skills and technical ability personal traits such as intelligence, energy, attitude, reliability, commitment, ability to learn, including aptitude , imagination and creativity, desire to share information, participate in a team and focus on goals of organization. An Organization may have huge capital and most advanced machinery, but it does not have capable, motivated and high performing employees, the organization is not likely t demonstrate sustained level of performance. All physical and capital resources depend on people for their efficient use, so maintaining the quality of people is important to attain the competitive advantage. The term capital is referred to wealth money and property. When the same term is used to refer Human, it implies they are resources generating more wealth who hold the economic value of an organization. This article tries to understand how State Bank of India is trying to build a competitive advantage with its employees in face of tough private competitors ahead.

2. LITERATURE REVIEW:

Sudershan Chadha and Daleep Parimoo[1] in their article "Human Capital Management in Banking Sector- A conceptual Framework" concluded that Human capital plays an important role in strategic planning to create competitive advantage. Henceforth, due importance should be given to it. Swapaneet Rainke[2] in her article (2015)"Role of Human Capital Management In Banking Sector" said that compensation is critical in attracting and retaining professionals. So suggested to make further studies on Compensation related HCM. Dr**.** Samah Souleh[3] in his article "The Impact of Human Capital Management on the Innovativeness of research Centre; The Case of Scientific Research Centres in Algeria" stated that innovation depends n intangible assets especially human capital. More specifically, human capital management depends on its competencies management and knowledge management which have also an important effect on innovation. Mr.Neenu Wilson And Sebastian Rupert Mampilly[4] in their article "The role of Human Capital Management Practices in Inculcating Learning Orientation and its Relationship with Performance: A systematic Literature Review" opined that HR managers must understand that they cannot always enhance performance using tangible assets. The intangible phenomenon like learning orientation is also important and should not be ignored often. Fida Afiouni[5] in his article "Human Capital Management; a new name for HRM" concluded that HCM is not merely a new name for HR, it is the beginning of a new era where HR is more strategic integrated with more functions and more future oriented

2.1. OBJECTIVES OF THE STUDY:

- To know how HCM is refining the current job profiles and acquiring talented employees
- To find out how training process is helping to upgrade the skills of employees constantly.
- To analyze how performance reviews are based on core values and organizational competencies
- To understand how HCM practices are making employees to become self sufficient and preparing them to face adverse conditions.
- To know how HCM is helping SBI to increase its value.

3. ABOUT STATE BANK OF INDIA:

State Bank of India is India's largest commercial Bank in terms of assets, deposits, profits, branches, number of customers and employees, enjoying the continuing faith of millions of customers across the social spectrum. Headquartered in Mumbai, SBI provides a wide range of products and services to personal, commercial enterprises, large corporate public bodies and institutional customers through its various branches and outlets. SBI has re-engineered internal processes, making them more efficient and leveraged on innovative technology advancements to enhance customers experience. A strong management team is essential to any organization growth and development. At SBI, has best in class, seasoned management to spearhead the creation, direction and growth of value drivers. Due to their training and exposure to banking activities, the top management is adept to address various challenges in banking sectors. Emphasizing on knowledge as a key differentiator, bank is committed to the process of continuous learning and enhancing human resource capabilities. SBI is focused on developing competencies of employees to continuously meet current and future business challenges. In this regard it also plans its Human Resources accordingly to reach its strategic requirements.

SBI's Workforce Strength				
Category	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Officers	80531	78540	80818	81041
Assistants	101648	94455	88606	92,979
Sub-staff& other	24799	23404	21477	35,547
Watch & Ward	15831	16839	16838	……
Total	**222809**	**213238**	**207739**	**209,567**

Source: Annual Reports of SBI

The above table presents that the bank has been making changes in the workforce accordingly, based on its values and requirements. The large scale recruitment of Gen-next employees in the officers as well as in the Assistant grade over the last few years has not only brought about far reaching attitudinal change among staff in their customer interface and service across the branches, but also became catalyst in enhancing the productivity and efficiency of employees thereby, resulting in increasing growth in business and profitability for the bank. Profit per employee (PPE) has also increased from 3.85 lacs in 2010-11 to 6.4 lacs in 2012-13. However, the PPE has declined to 4.85 lacs in 201-14 due to higher provisioning, increase in overheads and staff cost during the year. However, in Financial year 2017 bank added 1,097 young tech savvy and customer friendly employees which includes 2000 PO's ,160 Management trainees over domain experts in Wealth Management Digital and E- commerce and clerical employees Training of Employees is monitored by Strategic Training Unit (STU) in SBI. It consists of Five Apex institutes and 47 learning institutes. All employees undergo at least one institutional training during a year which are aligned with the corporate priorities. Inculcating self learning in every employee SBI also actively encourages its employees to pursue various study courses offered by external institutes. Apart from this, bank has made mandatory learning consisting of role based e-lessons, study courses, On-line courses from reputed international Business schools among others, compulsory for assistants and officers. To develop curiosity and competition STU also conducts quiz competitions across the Bank to showcase their knowledge. SBI also conducts workshops in association with Truth labs and Microsoft on how cyber criminals happen through Wi-Fi routers and other equipment. The biggest challenge comes to train employees during merging within the quickest possible time. It designed special programs easing the transition of employees into the bank. Twelve training establishments of Associate banks came into fold of SBI from day one of Merger. "Gyanodaya" the e-learning portal is now extended to all associate banks. Case studies, Research Projects and e-publications are available on the portal under e-library. Exciting business simulation games used for behavioral learning. "Training Dash Board" has been developed and made available to all the HR functionaries to arrive at data of trained /untrained staff for easy follow up.

To keep employees focused on productivity and profitability, 'One Umbrella' Performance scheme, covering both core and non-core business is developed. The incentive amount payable is linked to the category of the positions vis-à-vis level of performance. Taking a holistic view of employee requirements, provision of sabbatical leave with enlarged facilities has been introduced for women and Single Men (with children/ aged parents). SBI is also restructuring its compensation package to introduce "Smart Compensation Package" t attract young generation and for officers up to Scale III from FY 2018. Apart from this Harvard Manage Mentors is an online learning, Performance support and peer collaboration platform from Harvard University which has tie up for business content across 44 management topics and is mandatory for senior executives which leads to joint certification between SBI and HMM.The rapidly changing business environment, competition from Public/private sector banks and ever increasing expectations from the young and demanding customers have put high onus and responsibility on the bank for higher productivity and customer service. To meet these challenges, SBI has launched 'Saksham', a Career Development System (CDS), to provide an opportunity for a systematic ,dynamic and progressive career planning to individual which is intended to be an effective tool for promotion and rewards. It also increases productivity and to rationalize and merge roles and redistribution of staff to meet branch requirements.

4. CONCLUSION:

Keeping in view the merging process, SBI has planned many programs as part of their strategic development and ease of observing the employees of associated banks. Yet, it is observed that many employees undergo stress and work for beyond the working hours which surely reflect on personal life. It is suggested to the Bank to plan more of such programs to increase the competency levels and decrease the stress levels of employees. As stress surely decreases the effectiveness, it is suggested to plan more programs to decrease stress levels.

REFERENCES:

1. Sudershan Chadha and Daleep Parimoo,(2017); Human Capital Management in Banking Sectr- A conceptual Framework; Internatinal Journal of Management, Vol 8, Issue 6, Nv-Dec 2017, pp 44-5
2. Swapaneet Rainke(2015); International Journal Of Emerging Research In Mnagement And Technology, Vol 4, Issue-9, pp 32-35
3. Dr Samah Souleh, (2014); The Impact of Human Capital Management on the Innovativeness of research Centre; The Case of Scientific Research Centres in Algeria: International Jurnal of Business Management, Vol II(4), PP 81-96
4. Mr.Neenu Wilson And Sebastian Rupert Mampilly, (2014); The role of Human Capital Management Practices in Inculcating Learning Orientation and its Relationship with Performance: A systematic Literature Review; IOSR Jurnal of Business and Management, Vol 16, Issue 7, pp 15-22
5. Fida Afiouni, (2013); Human Capital Management; a new name for HRM; international Jurnal learning and Intellectual Capital, Vol. 10, No .1, PP 18-34

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

ORGANIZATIONAL CITIZENSHIP BEHAVIOR AND WORK LIFE BALANCE - A STUDY AMONG BANKING EMPLOYEES

[1]SARITHA MADIPELLI, [2]Dr. SARMA V.S. VELURI
[1]Faculty of Management, School of Management, UASC, Warangal
[2]Principal Uni. College of Commerce & Business Management Kakatiya University, Warangal

Abstract:*Manpower is the most significant resources in achieving the goals of an organization. Today, banks having employees with good behavior are only successful. Given the amount of time and energy people expend at the workplace, it is important for employees to be satisfied about their life at work. Time pressure, dual earners, mechanical life style, nuclear family structure and poor understanding abilities among people are issues identified among employees working in banking sector. Behaviors like helping nature, respect towards others, sportiveness, consciousness and civic virtue enable employees to cope with professional responsibilities which affects personal life. In this context, the present study aims to establish a relation between OCB and WLB among banking employees.*

Keywords: *citizenship behaviors, work life imbalance, achievement and time pressures*

1. INTRODUCTION:

In 1983 Bateman and Organ introduced the term “citizenship” to describe the behaviors that lubricate the social machinery of the organization and labeled employees who engage in such behaviors as “good citizens”. Van Dyne et al. (1995), who proposed the broader construct of “extra-role behavior” (ERB), defined as “behavior which benefits the organization and/or is intended to benefit the organization, which is discretionary and which goes beyond existing role expectations”.Behaviors that exceed delineated role expectations but are important and even crucial for an organization’s survival are defined as organizational citizenship behaviors (OCB) (Brief &Motowildo, 1986: George, 1990; Katz & Kahn, 1966). Citizenship behaviors are defined as extra-role, voluntary and innovative behaviors which occur by employees in the organization (SanjarSalajeghe, 2014). Results of different studies shows such behaviors have positive effects in the organizations like increasing employees productivity which leads to organizational productivity, better coordination, organizational communication, increasing employees satisfaction, improving employees loyalty, increasing work commitment, increasing market orientation, stability of organization performance, increasing customer satisfaction of organizational services and increasing organizational prestige (Ghahremani Kia, F. 2002). Dennis Organ's (1988) study on organizational citizenship behavior defined the concept into five common behaviors. Organ's study suggested that, when these common behaviors are exhibited in a group setting, it will lead to effectiveness. In the context of business, this means that the five most common organizational citizenship behaviors will lead to more productivity and more effective work. Although today psychologists recognize dozens of other common positive organizational citizenship behaviors, the five defined by Organ in 1988 are still considered to be the most significant. The five most common behaviors, as defined by Dennis Organ are: altruism, courtesy, sportsmanship, conscientiousness and civic virtue.

- **Altruism:** Altruism is defined as the desire to help or otherwise assist another individual, while not expecting a reward in compensation for that assistance. Altruism in the workplace leads to productivity and effectiveness because it encourages good inter-employee relations; it can also reduce the stress load on other employees.
- **Courtesy:** Courtesy means treating others with respect. Courtesy not only encourages positive social interaction between employees but also reduce stress among employees.
- **Sportsmanship:** Sportsmanship is defined as exhibiting no negative behavior when something does not go as planned or when something is being perceived as annoying, difficult, frustrating or otherwise negative.
- **Conscientiousness:** Conscientiousness is defined as behavior that suggests a reasonable level of self-control and discipline, which extends beyond the minimum requirements expected in that situation.

Employees with conscientiousness works for organization even after working hours contributing to organizational productivity.

- **Civic Virtue:**Civic virtue is defined as behavior which exhibits how well a person represents an organization with which they are associated, and how well that person supports their organization outside of an official capacity. Employees perform tasks that they are not required to perform for the benefit of the organization.

According to Cohen &Vigoda (2000) some of the organizational citizenship behaviors are advantageous to the organizations include improving colleague relationship and management productivity, effective organizing and resource allocation, decreasing extra cost and improving management attractions to increase high quality products (Korkmaz&Arpact, E. 2009). Work life balance is about the interaction between paid work and other activities, including unpaid work in families and the community, leisure, and personal development. Work life balance is about creating a productive work culture where the potential for tensions between work and other parts of people's lives are minimized (Pandu, Balu&Poorani, 2013). Work-family balance is the synergistic integration of work-family conflict and work-family enrichment such that balance is obtained when an individual's work and family lives experience little conflict while enjoying substantial enrichment (Frone, 2003). Recent advances have been made in furthering the conceptual rigor and empirical attention given to work-family balance (Grzywacz& Carlson, 2007; Valcour, 2007) as this construct provides an assessment of the interrelationships between workers' work and family lives. Further, research has recently begun to establish the organizational and employee benefits of work-family balance policies and practices demonstrating desired results such as reduced absenteeism, improved retention, and higher productivity (Lazar, Osoian, &Ratiu, 2010). Numerous works on work life thereafter proved that what happened in the workplace have significant impact on individuals and their families (Greenhaus& Powell, 2006; Kossek&Ozeki, 1998; Lewis & Cooper, 1987). The combination of a fluctuating work environment with competing job and family commitments has negatively affect employees in the form of poor morale and motivation, reduced productivity, and increased burnout and turnover (Galinsky& Stein, 1990, Benedict & Taylor, 1995). Moreover the inability of employees to balance the equally challenging demands of their work and personal life has contributed to the escalating stress and conflict of today's workforce (Edwards &Rothbard, 2000). This in turn leads to significant rise in stress related health problem, which translates to financial cost both to the employer as well as the government (Johnson, Duxbury & Higgins, 1997, Frone, Russell, & Cooper, 1997). Hill (2005) reported that "work-to-family facilitation was positively related to job satisfaction and life satisfaction, while work-to-family facilitation was positively related to marital satisfaction, family satisfaction, and life satisfaction". Hence engagement in multiple roles appears to have positive influence on mental and physical health (Barnett & Hyde, 2001). Hence a healthy balance between work and non-work roles enables workforce to concentrate more happily on personal and organizational welfare which happens when employees invest their time and energy effectively in personal and professional life.

2. LITERATURE REVIEW:

The literature review presents the studies that focused on relationship between Organizational Citizenship Behavior and Work life balance.

2.1. THE RELATIONSHIP BETWEEN ORGANIZATIONAL CITIZENSHIP BEHAVIORS AND WORK LIFE BALANCE:

Advances in the conceptualization of organizational citizenship behavior help the extra role behaviors most likely to show the effects of obligations incurred as a result of workers' experiences with work-life benefits (Susan J. Lambert, 2000). Researchers investigating the effects of employer supports for workers' personal lives have speculated that work-family benefits can enhance workers' perceptions of organizational support (Grover &Grooker, 1995; Kossek, 1989). Interestingly organization support contributes organizational citizenship behavior. On the negative side of the work-family interface, researchers have found that greater role demands lead individuals to withhold discretionary work-related behaviors thus linking elevated work-family conflict with lower Organizational Citizenship Behavior (Beham, 2011; Bolino&Turnley, 2005; Bragger, Srednicki, Kutcher, Indovino, &Rosner, 2005; Tompson& Werner, 1997). On the positive side of the work-family interface, enrichment has been examined as a resource upon which individuals could draw to engage in behaviors such as citizenship. A study found the work-to-family direction of enrichment played a mediating role in the relationship between job characteristics and organizational citizenship behaviors (Baral&Bhargava, 2010). Further, both directions of work-to-family enrichment have been demonstrated to link to Organizational Citizenship Behaviors (Bhargava&Baral, 2009). For instance, balance has been found to be positively related to job satisfaction, organizational commitment, and career accomplishment (Aryee, Srinivas, & Tan, 2005; Carlson, Grzywacz, &Zivnuska, 2009; Marcinkus, Whelan-Berry, Gordon, 2007). Some of the studies outlined in the literature have established a clear relationship between Organizational Citizenship Behavior and Work Life Balance. However, there is little evidence of studies on Organizational Citizenship Behavior and Work Life Balance in Banking Sector.

2.2. NEED AND IMPORTANCE OF THE STUDY: Previous research has yet to link Organizational Citizenship Behavior with Work-family balance. Thus, it is not clear if work-family balance is of value to organizations attempting to create an environment conducive to the exhibition of Organizational Citizenship Behavior. The lack of empirical evidence linking work-family balance with Organizational Citizenship Behaviorin banking sector creates a gap in the work-family arena. Previous research has considered the impact of some of the separate elements of Organizational Citizenship Behaviors on Work Life Balance. In this context the need for the present study arises to examine the relationship amongOrganizational Citizenship Behaviors on Work Life Balance. Thus the present study is undertaken.

2.3. OBJECTIVE OF THE STUDY: The prime objective of the study is to examine the relationship between Organizational Citizenship Behavior and Work Life Balance.

2.4. HYPOTHESIS OF THE STUDY:

H1: There is a positive relationship between organizational citizenship behavior and work life balance.
H2: There is a negative relationship between organizational citizenship behavior and work life balance.

3. DATA AND METHODOLOGY:

The present research work is an empirical study and is based on primary data; certain information is collected from secondary sources. The main sources of primary data include the information collected from select respondents of various banks. The secondary sources include data collected from the journals, magazines of related topic of research and the related websites. The study is based on a sample survey. For the purpose of survey, a sample of three banks has been selected. Opinions of 150 sample respondents are been obtained. At the end of the survey only 110 questionnaires are usable with respect to all the items completed. Thus, finally a sample of 110 respondents has been used for the study. Data was collected by making personal visits to all the respondents. At the first instance structured questionnaire has been handed over by making a request to the respondents to fill as per their convenience and the questionnaire has been collected by the researcher personally. In addition personal discussions were held to gather some information like their opinions organizational citizenship behavior and work life balance.

4. ANALYSIS:

Reliability and Validity is applied to test the internal consistency of the instrument Cronbach's Alpha was used. The results of Cronbach's Alpha are shown in following table. OCB is an independent variable which has the reliability of 0.849 (80%).Dependent variable of this research is work life balance which has the reliability of 0 .694 (70%). Therefore, as per the data, overall reliability of study is acquired. The descriptive statistics is analyzed for the strength of relationship between two variables. The analysis is done using the Pearson Product Movement Correlation with one-tailed test of significance. According to the results of the Pearson's correlation shown in the table 2, there is a positive significance between organizational citizenship behavior and work life balance Pearson correlation between the two variables is .543, which is positive. It shows that there is a relationship between organizational citizenship behavior and work life balance and the existing relationship is positive. Since correlation value is more than +0.5 and nearest to the +1, that relationship is much strong. Further, the relationship is statistically significant as correlation is significant at 0.01 levels (1-tailed). Thus, there is a statistical evidence to prove that organizational citizenship behavior and work life balance are related. As well as that relationship is positive and very strong. Regression analysis is conducted to analyze the relationship between organizational citizenship behavior and work life balance. The Adjusted R Square is 0.348, which indicates that 34.8 % of the variation on Work Life Balance is explained by the five independent variables i.e., Altruism, Courtesy, Sportsmanship, Conscientiousness and Civic Virtuejointly. The F Value is 27.391 which is significant at 1% (p = 0.000), which suggest that the independent variables have significantly explained 34.8 % of the variation in the Work Life Balance.

5. CONCLUSION:

The analysis reveals that there is a positive relationship between organizational citizenship behavior and work life balance. Employees with good citizenship behavior will be loyal to company, help others, respect others, accepts challenging tasks and are self-conscious. Employees with these behaviors after coming home from bank will maintain the same behavior with family members who improve their personal life, health, socialization and faith.

5.1. SUGGESSTIONS:

Based on the findings discussed, recommendations would be given for the bank employees and the management of the organization to improve OCB and help employees to balance their personal and professional life. The recommendations are in relation to OCB and WLB practices identified through the literature review and the feedback from the respondents.

- Employee Assistance Programs can help employees to balance their work and family life.
- Proper time management enables employees to make right prioritization.
- Healthy relations encourage employees to contribute more productivity.

- Sportive atmosphere enables employees to be positive.
- Inculcate altruistic behavior among employees.

Table 1: Reliability Statistics

Variables	Cronbach's Alpha
OCB	0.849
WLB	0.694

Table 2 Correlation Matrix of the Variables

Variable	Mean	Standard Deviation	OCB
OCB	4.020	0.60269	1
WLB	4.410	0.577	0.543

Table 3 Regression Analysis of OCB (Altruism, Courtesy, Sportsmanship, Conscientiousness and Civic Virtue) and WLB

R Square	Adjusted R Square	Std. Error of the Estimate	F	Significance
.361	.348	.48287	27.391	0.000

REFRERNCES:

1. Aryee, S., Srinivas, E. S., Tan, H. H. (2005). Rhythms of life: Antecedents and outcomes of work-family balance in employed parents. Journal of Applied Psychology, 90, 132-146.
2. Barnett, R. C., & Hyde, J. S. (2001). Women, men, work, and family: An Expansionist Theory. American Psychologist, 56(10), 781-796.
3. Beham, B. (2011). Work-family conflict and organizational citizenship behavior: Empirical evidence from Spanish employees. Community, Work & Family, 14, 63-80.
4. Benedict, R., & Taylor, C. A. 1995, “Managing the overlap of work and family: A shared responsibility”, CUPA Journal, (Fall), 1-9.
5. Bhargava, S. &Baral, R. (2009). Antecedents and consequences of work-family enrichment among Indian managers. Psychological Studies, 54, 213-225.
6. Bolino, M. C., &Turnley, W.H. (2005). The personal costs of citizenship behavior: The relationship between individual initiative and role overload, job stress, and work-family conflict. Journal of Applied Psychology, 90, 740-748.
7. Borman, W.C., and Motowildo, S.J(1993), “ Expanding the criterion domain to include elements of contextual performance”, In N. Schmitt, W.C. Borman, and Associates(Eds), Personnel selection in organization, (pp.71-98), San Francisco: Jossey-Bass.
8. Bragger, J. D., Srednicki, O. R., Kutcher, E. J., Indovino, L., &Rosner, E. (2005). Work-family conflict, work-family culture, and organizational citizenship behavior among teachers. Journal of Business and Psychology, 20, 303-324.
9. Carlson, D. S., Grzywacz, J.G., &Zivnuska, S. (2009). Is work-family balance more than conflict and enrichment? Human Relations, 62, 1459-1486.
10. Cohen, A,.&Vigoda, E. (2000). Do good citizens make good organizational citizens? An empirical examination of the relationship between general citizenship and organizational citizenship behavior in Israel. Administration and Society, 32, 596 - 625.
11. Edwards, J. R. &Rothbard, N. P. (2000). Mechanisms linking work and family: Clarifying the relationship between work and family constructs. Academy of Management Review, 25, 178-199.
12. Frone, M., Russell, M., & Cooper. 1997. “Relation of work-family conflict to health outcomes: A four-year longitudinal study of employed parents”, Journal ofOccupational and Organizational Psychology, 70, 325-335
13. Frone, M. R. (2003). Work-family balance. In J. C. Quick, & L. E. Tetrick (Eds), Handbook of occupational health psychology, (pp. 143-162). Washington, DC: American Psychological Association. Osoian, C., &Ratiu. P. (2010). The role of work-life balance practices in order to improve organizational performance. European Research Studies, 13, 201-215.
14. Galinsky, E., Stein, P.J. 1990, "The impact of human resource policies on employees: balancing work/family life", Journal of Family Issues, Vol. 11 No.4, pp.368–83.
15. George, J.M.(1990), “Personality affect and Behavior in groups”, Journal of personality and Social Psychology, 75, 462-474.
16. GhahremaniKia, F. (2002) Examining Factors Affecting On Human Productivity Improvement, Social Security Journal, 37, 93.

17. Greenhaus, J. H., & Powell, G. N. (2006). When work and family are allies: A theory of work-family enrichment. Academy of Management Review, 31, 72-92.
18. Grover, S., & Crooker, K. 1995. Who appreciates family responsive human resource policies: The impact of family-friendly policies on the organizational attachment of parents and nonparents.Personnel Psychology, 48: 271-288.
19. Grzywacz, J. G. & Carlson, D. S. (2007). Conceptualizing work-family balance: Implications for practice and research. Advances in Developing Human Resources, 9(4), 455-471
20. Johnson, K., Duxbury, L., & Higgins, C. 1997. “Making work and lifestyle initiatives work: Beyond best practices” . Ottawa: Industry Canada
21. Katz, D., and Kahn, R.L., (1966), “The social psychology of Organization”, Wiley, New York.
22. Kossek, E. 1989. The acceptance of human resource innovation by multiple constituencies. Personnel Psychology, 42: 263-791.
23. Marcinkus, W. C., Whelan-Berry, K. S., & Gordon, J. R. (2007) The relationship of social support to the work-family balance and work outcomes of midlife women. Women in Management Review, 22, 86-111.
24. Organ, D.W., 1988. Organizational citizenship behavior: The good soldier syndrome. Lexington, MA: Lexington.
25. Pandu, A. Balu& K. Poorani. (2013) Assessing Work-Life Balance among IT &ITeS Women Professionals, The Indian Journal of Industrial Relations, Vol. 48, No. 4, April, pp.611-620.
26. SanjarSalajeghe, Shiva Madahian, NiushaMeftah & Seyed Morteza (2014), The Study of the Relationship between Organizational Citizenship Behaviors and Productivity among Employees of Pegah Dairy Company of Kerman, International Journal of Economy, Management and Social Sciences.Vol(3), No (12), December, pp. 804-809.
27. Tompson, H. B., & Werner, J. M. (1997). The impact of role conflict/facilitation on core and discretionary behaviors: Testing a mediated model. Journal of Management, 23, 583-601.
28. Valcour, M. (2007). Work-based resources as moderators of the relationship between hours and satisfaction with work-family balance. Journal of Applied Psychology, 6, 1512-1523.
29. Van Dyne, L., Cummings, L.L., & McLean Parks, J. (1995). Extra-Role behaviors: In pursuit of construct and definitional clarity. In L. L. Cummings & B. M. Staw (Eds.), Research in Organizational Behavior.

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

A STUDY ON CUSTOMER PERCEPTIONS ON SERVICE QUALITY OF ONLINE MARKETING INSURANCE PRODUCTS

[1]G. DIVISHA, [2]T. VIJAY KUMAR
[1]UGC – Senior Research Fellow Dept. of Commerce & Business Management
[2]Senior Process Executive Cognizant Technology Solutions India Pvt. Ltd

Abstract: *The service quality can be defined as the difference between predicted or expected service and perceived service. There are few researches conducted on service quality measurement of life insurance companies. But very few studies have been conducted with regard to online marketing insurance policies. The customers are expected have well educated and well aware of insurance policies and plans; moreover, the private insurance are providing and offering the best services. It is the time to analyze the customers' perception regarding service quality of the insurance in India. The results of the study will be useful in the online insurance policies offerings and making right choice.*

Keywords*: Service, Quality, Insurance, Online insurance, Life Insurance, General Insurance, Issues and Challenges*

1. INTRODUCTION:

"Future is always uncertain and full of risk. It is not certain that what is going to happen tomorrow, therefore a person is always worried about security of property and life". Insurance is an agreement between Insured and Insurer in which a company or the state (Insurer) undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death to Insured in return for payment of a specified premium. In other words insurance protects us from financial loss. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. Insurance involves pooling funds from many insured entities (known as exposures) to pay for the losses that some may incur. The insured entities are therefore protected from risk for a fee, with the fee being dependent upon the frequency and severity of the event occurring. As insurance is a 'push' rather than a 'pull' product, it is a big challenge for the companies to make their products meaningful to prospective customers. As a first step, companies should simplify and organize insurance products and design the benefits so as to suit the specific needs of policyholders. A higher degree of transparency on policy terms will ensure that the customer understands the product and its benefits, minimizing fears of being cheated. It is therefore important for the industry to invest not just in expansion and distribution but also in client servicing and processing The insurance industry of India consists of 52 insurance companies of which 24 are in life insurance business and 28 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India. Other stakeholders in Indian Insurance market include Agents (Individual and Corporate), Brokers, Surveyors and Third Party Administrators servicing Health Insurance claims.

Out of 28 non-life insurance companies, 5 private sector insurers are registered to underwrite policies exclusively in Health, Personal Accident and Travel insurance segments. They are Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd. There are two more specialized insurers belonging to public sector, namely, Export Credit Guarantee Corporation of India for Credit Insurance and Agriculture Insurance Company Ltd for Crop Insurance.

2. REVIEW OF LITERATURE

The service quality can be defined as the difference between predicted or expected service and perceived service (Parasuraman, 1985).

Lehtinen&Lehtinen's (1982) included again three components interactive, physical and corporate quality.

According to Hedvall and Paltschik's (1989) service quality has two dimensions- willingness and ability to serve and physical and psychological access.

Leblanc's and Nguyen's (1988) concluded that service quality have five dimensions- corporate image, internal organization, physical support of the service producing system, interaction between staff and customer and the level of customer satisfaction.

Garvin's (1988) quality dimensions included nine dimensions: performance, features, conformance, reliability, durability, service, response, aesthetics and reputation.

Parasuraman, Zeithaml and Berry (1988) conceptualized five dimensions: tangibles, reliability, responsiveness, assurance and empathy, which led to the development of SERVQUAL. Gupta (2004) focused on the major factors that have influenced the Indian insurance service in the new millennium including the emergence of new distribution channels to market insurance products.

Pareek and Jawaharlal (2004) identified the importance of new strategy formulation to enhance service quality and retain customer for a long period.

Mehala (2004) evaluated various distribution channels in life insurance and identified that the main success of agents is their personalized service, face-to–face communication and relationship marketing.

Sayulu and Sardar (2005) measured customer satisfaction with regard to LIC policies concluded that most of the respondents were not satisfied with LIC services.

Namasivayam et al. (2006) identified the role of socioeconomic factors in deciding the purchase of life insurance policies of LIC.

Gayathiri et al., (2006) revealed the strong relationship between the satisfaction level and the service dimensions. The assurance, empathy, and reliability is the three important dimensions which make a positive influence on the customer satisfaction in insurance companies.

Goswami (2007) highlights that responsiveness dimension of service quality provides maximum customer satisfaction in Indian life insurance industry.

2.1. OBJECTIVES OF THE STUDY:

The research is conducted with a view to study the following objectives.

- To know the quality aspects of insurance products from the point of the customer.
- To analyze the impact of important dimensions of service quality- i.e. Professionalism, Tangibility, Responsiveness, Assurance, Empathy and Reliability with the insurance customers / policyholders.
- To illustrate the emerging trends taking place in Insurance sector.

2.2. HYPOTHESES OF THE STUDY:

H_{01}: There is no significant difference in the opinion of the respondents of Groups of different Levels of Education on Service quality.

H_{02}: There is no significant difference in the opinion of the respondents of different Income Groups on Service Quality.

H_{03}: There is no significant difference in the opinion of the respondents of different Occupational Groups on Service Quality.

3. METHODOLOGY USED FOR THE STUDY:

- **Primary data** has been conducted to obtain the opinions of the customers who have bought different online policies offered by various Insurance Companies for the purpose of the study.
- **Sample of study**: The study has received 50 responses from the customers selected from Hyderabad.
- **Sampling method of the study**: Researcher, for the sake of convenience, selected the respondents randomly, making a total of 50 customers.

3.1. INSTRUMENT USED FOR DATA COLLECTION: An instrument was developed on the basis of available literature and personal interactions with the existing policyholders and insurance employees. A well designed and structured questionnaire has been prepared and used to elicit free and frank responses from the respondents, after duly pre-tested and stabilized. Service Quality is measured in terms of variable Professionalism, Tangibility, Responsiveness, Assurance, Empathy and Reliability (Gow 2014).

Table 1: Test of Reliability (Cronbach's Alpha)

Cronbach's Alpha	N of Items
0.78	20

The above Table shows the reliability of the instrument used for the study is calculated and it is 0.78. It is higher than the accepted level of 0.50.

4. RESUTS ANALYSIS AND DISCUSSION:

Table 2: DEMOGRAPHIC PROFILE OF RESPONDENTS

Demographic Variables	Classification	Frequency	Percentage
Gender	1) Male	43	86
	2) Female	07	14

Age	1) 20-35 Years	17	34
	2) 36-50 Years	16	32
	3) 51-65 Years	17	34
Level of Education	1) Up to Graduation	24	48
	2) Above Graduation	26	52
Occupation	1) Business / Professional	21	42
	2) Private Sector	09	18
	3) Public Sector	20	40
Annual Income in Rupees	1) Upto 200000	25	50
	2) 200000 – 500000	21	42
	3) 500000 and Above	04	08
Total		**50**	**100%**

Source: Primary Data

Table 3: Showing Descriptive Statistics of respondents

		Gender	Age	Education	Occupation	Income
N	Valid	50	50	50	50	50
	Missing	0	0	0	0	0
Mean		1.14	2.00	1.52	1.10	1.58
Std. Error of Mean		.050	.118	.071	.043	.091
Std. Deviation		.351	.833	.505	.303	.642
Sum		57	100	76	55	79

Source: Primary Data

5. SERVICE QUALITY PERCEPTIONS OF INSURANCE’ POLICYHOLDERS:

This section focuses attention on the information required regarding the period of purchase of first insurance policies by the respondents, the satisfaction derived by the customers towards insurance products. The main aim of this exercise is to know whether services quality and whether the customers are satisfied with them. In India, the level of insurance awareness in general is very low and it is very poor in rural areas. Therefore, customers do not approach the branches of insurance company directly to buy the insurance policies. Normally they would be influenced by some people to take the policies and the agents play a major role in this regard. However, with a view to know this the customers are asked to specify the factors influencing them in taking their respective policies and these responses are depicted in Tables given below.

Table 4: Showing the Association between the Service Quality in terms of Reliability and Education Level of the Respondent

		Reliability				Total
		Dis Agree	Neutral	Agree	Strongly Agree	
Education	Upto Graduation	0	2	5	17	24
	Above Graduation	2	0	12	12	26
Total		2	2	17	29	50

Source: Primary Data

Table 5: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.677[a]	3	.043
Likelihood Ratio	9.301	3	.026
Linear-by-Linear Association	2.166	1	.141
N of Valid Cases	50		

Source: Primary Data

The above table analyses the association of respondents’ education and their Service quality in terms of reliability. The null hypothesis is rejected as the significant value (.043) of Chi-square Value is less than 0.05. Hence the education has an impact on association with the service quality of insurance.

Table 6: Showing the Association between the Service Quality in terms of Responsiveness and Occupation of the Respondent

		Responsiveness					Total
		Strongly Disagree	Dis Agree	Neutral	Agree	Strongly Agree	
Occupation	Business/Profession	0	2	1	5	14	22
	Public Sect Employee	0	0	1	6	15	22
	Pvt sector Employee	1	1	0	3	1	6
Total		1	3	2	14	31	50

Source: Primary Data

Table 7: Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.792[a]	4	.012
Likelihood Ratio	8.371	4	.079
Linear-by-Linear Association	9.171	1	.002
N of Valid Cases	50		

Source: Primary Data

The above table analyses the association of respondents' Occupation and their Service quality in terms of responsiveness. The null hypothesis is rejected as the significant value (.012) of Chi-square Value is less than 0.05. Hence the Occupation of the respondents has an impact on association with the service quality of insurance.

Table 8: Showing the Association between the Service Quality in terms of Reliability and Income Level of the Respondent

		Reliability				Total
		Dis Agree	Neutral	Agree	Strongly Agree	
Income	Upto 200000	2	2	11	10	25
	200000-500000	0	0	4	17	21
	Above 500000	0	0	2	2	4
Total		2	2	17	29	50

Table 9: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.765[a]	6	.035
Likelihood Ratio	11.436	6	.026
Linear-by-Linear Association	5.013	1	.025
N of Valid Cases	50		

Source: Primary Data

The above table analyses the association of respondents' Income and their Service quality in terms of responsiveness. The null hypothesis is rejected as the significant value (.035) of Chi-square Value is less than 0.05. Hence the Income of the respondents has an impact on association with the service quality of insurance.

6. EMERGING TRENDS:

- Multi-distribution i.e. increasing penetration through new modes of distribution such as the internet, direct and telemarketing and NGOs
- Product innovation i.e. increased levels of customization through product innovation
- Claims management i.e. timely and efficient management of claims to prevent delays which can increase the claims cost
- Profitable growth i.e. expanding product range, developing innovative products and expanding distribution channels
- Regulatory trends i.e. mandated regulatory changes by the IRDA to promote a competitive environment in both the life and non-life insurance sectors

7. CONCLUSION:

The finding of the study reveals that regarding all dimensions of service quality the customers are satisfied with the all the dimension namely, Professionalism, Tangibility, Responsiveness, Assurance, Empathy and Reliability with the insurance customers / policyholders. Thus, the perception on the service quality practice was positive overall. That the customers' perceptions of the practice exceeded their expectations. There were varying amounts of perceived service quality in relation to all six deteminants, with reliability showing some negative perceived service quality in three of the questions. Reliability had the least positive perception of service quality with a gap between expectations and perceptions. The reliability factor is an area that requires management attention as it had the lowest service quality gap. There were service quality gaps also. The lowest service quality gap was in the reliability determinant between questions 4 and 9 and was was concerned with the practice providing accurate records to the customers. This is an area where management need to take action to improve the service quality. The empathy determinant was the second least positive service quality gap in relation to the operating hours of the practice. This is another area where management have direct control and can change the opening hours to more suit the needs of the customers and improve the perception of the service quality. All six determinants having a positive perception score insurance products offered online by both the private and the public sector insurance companies.

REFERENCES

1. Parasuraman, Valarie A. Zeithaml, and Leonard L Berry (1985), "A Conceptual Model of Service Quality and the Implications for Future Research", Journal of Marketing, Vol. 49 (fall) pp. 41-50.
2. Tamilarasan, Sakthivel& Sunder (2005), "Customer Relationship Management In The Insurance Service Business", Organizational Management, Vol. xxi. (Oct- Dec) No. 3 pp. 22-25.
3. Chawla Sonia & Singh Fulbag (2008), "Service Quality Perceptions of Life Insurance Policyholders In Northern India: Pre- Privatization vs. Post Privatization" the ICFAI University Journal of Marketing Management, Vol. vii, No. 4 pp. 23-53.
4. Chennappa,D (2007), "Insurance Sector Reforms in India: Challenges and Opportunities", Department of Commerce, Osmania University, Hyderabad, pp.80-93.
5. Vanniarajan T., Praba P. Devi and Shankari L. (2008), "Service Quality of Life Insurance Companies at Salem". Global Business Review Vol. 2 No. 2 pp. 23-31.
6. Devi P. Praba (2008), "Customer's Loyalty as the Focus of Insurance Industry" Business Perspectives, Vol 10 No. 1 pp. 79-84.
7. Vanniarajan T. (2008), "Positioning of Players in Life Insurance Market: Service Quality Analysis" Gurukul Business Review Vol. 4 (spring) pp 6-15.
8. Sheetal B., Sachdev and V. Verma Harsh, "Relative Importance of Service Quality Dimensions: A Multi-Sectoral Study" Journal of Services Research, Vol. 4 No. 1 (April-Sep 2004) pp.59-82.
9. Garvin, David A. (1988) "Managing Quality: The Strategic and Competitive Edge" Total Quality Management, New York, Free Press, Prentice Hall, 2003.
10. Gronroos, C. (1984), " A Service Quality Model and its Marketing Implications", European Journal of Marketing, Vol. 18 pp. 36-44.
11. Gow, Audrey Helen (2014) "An Investigation of Service Quality in the Healthcare Sector-A Study of an Independent Private Physiotherapy Practice" PhD theses submitted to EdinbirghNepiar University
12. Hedvall, M B. and Paltschik, M. (1989) "An Investigation in, and Generation of Service Quality Concepts", European Journal of Marketing Academy, Athens, pp. 473-483.
13. Parasuraman, Valarie A. Zeithaml, and Leonard l berry (1988) " SEVQUAL: A Multiple-item, Scale for Measuring Consumer Perception of Service Quality" Marketing Science Institute, Cambridge, MA
14. Gayathiri, H.,Vinayaha, M.C., and Lakshmisha, K. (2006), "A Pilot Study on the Service Quality of Insurance Companies" , Journal of Services Research. Vol. 5 No. 2 pp. 123-131.
15. M. Urvashi., and Satish Kumar (2004), "Changing Scenario of Insurance Sector in the Wake of Privatization and its Impact on Indian Economy", Southern Economist, pp.19-22.
16. Namasivayam N., Ganesan, S., and Rajendran, S. (2006), "Socio Economic Factors Influencing the Decisions in Taking Life Insurance Policies", Insurance Chronicle, Vol. 6 No. 8, pp. 65-70.
17. Nithil, P., and Jawaharlal, V. (2004), "Customer Service in Life Insurance", Insurance Chronicle Vol. 4 No. 6, pp 17-19.
18. Baluchami N.K., and Sunder C. (2007), "CRM –A Focus. A case of Life Insurance Corporation" Organizational Management Vol. xxiii No. 1 pp. 20-28.
19. MehlwalGeetanjali, (2006) "The Face of the Insurance Industry in India", Insurance Chronicle, (Jan) pp. 57-63.
20. SaharSiami ,MohammadbagherGorji (2012), "The Measurement of Service Quality by Using Servqual and Quality Gap Model" Indian Journal of Science & Technology, Volume 5, Issue 1, January 2012.
21. *JyotsnaSethi; Nishwan Bhatia (9 December 2012).* ELEMENTS OF BANKING AND INSURANCE. *PHI Learning Pvt. Ltd. pp. 218–.*ISBN 978-81-203-4657-4.

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

BANKING UNBANKED: AN EMPIRICAL STUDY

Mrs. P. SPOORTHY
Assistant Professor, CMR Technical Campus, JNTU, Hyderabad

Abstract: *India is the land of rural supremacy, it is mandate to provide suitable financial services for economic growth which will increase the income and living standards of the deprived households. In august 2014, Prime Minister Narendra Modi announced the "Pradhan Mantri Jan Dhan Yojana" (Prime minister's people's wealth scheme, or PMJDY) to provide 75 million unbanked Indians with zero-balance bank accounts- delivering access to a full range of financial services like pension, credit and insurance. Growing Financial inclusion will open up services to poor, rural and other weaker groups, population segments that have not always had easy access to financial services in the past. As it broadens the resource base of the financial system by developing a culture of savings among large segment of rural populations and playing a major role in the process of economic development. To achieve the financial inclusion, improving the investment opportunities to the people by creating investment awareness. The present study is an attempt to enlight financial inclusion and Government's initiatives in outreaching the ultimate needy.*

Key Words- *Economic growth, financial services, financial inclusion, Government's initiatives.*

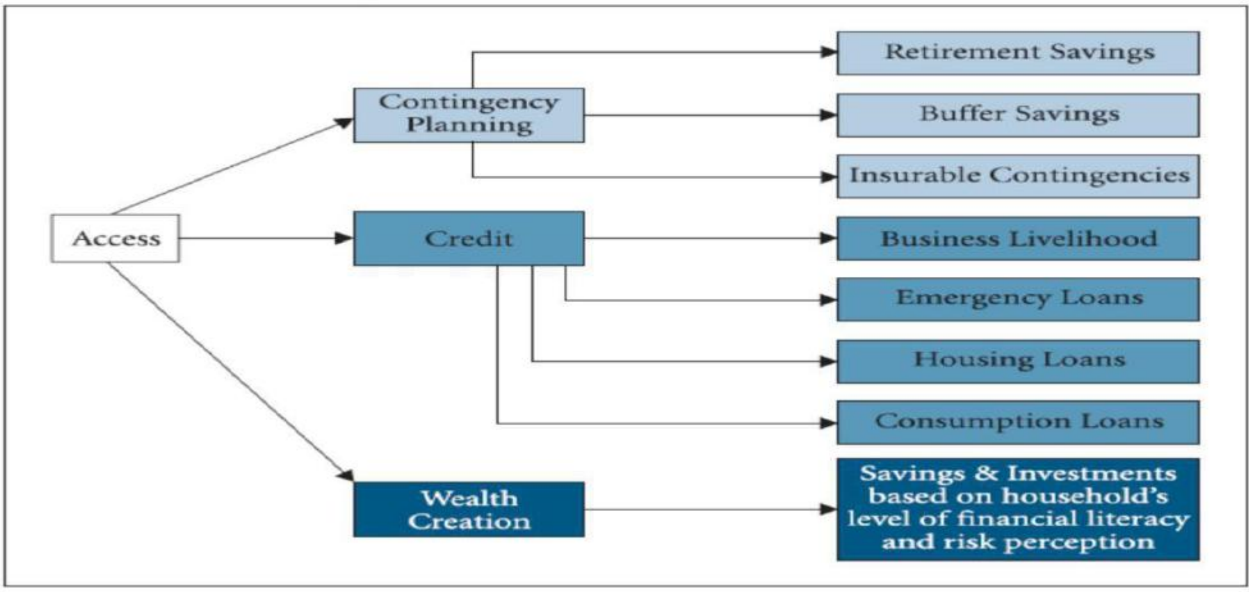
I. INTRODUCTION:

With the progress of the Indian economy, especially when the focus is on the achievement of sustainable development, there must be an attempt to include maximum number of participation from all the sections of the society. But the lack of awareness and financial literacy among the rural population of the country is hindering the growth of the economy as majority of the population does not have access to formal credit. This is a serious issue for the economic progress of the country. In order to overcome such barriers, the banking sector emerged with some technological innovations such as automated teller machines (ATM), credit and debit cards, internet banking, etc. Though introduction of such banking technologies brought a change in the urban society, a majority of the rural population is still unaware of these changes and is excluded from formal banking. Financial inclusion enables improved and better sustainable economic and social development of the country. It helps in the empowerment of the underprivileged, poor and women of the society with the mission of making them self-sufficient and well informed to take better financial decisions. Financial inclusion takes into account the participation of vulnerable groups such as weaker sections of the society and low income groups, based on the extent of their access to financial services such as savings and payment account, credit insurance, pensions etc. Also the objective of financial inclusion exercise is easy availability of financial services which allows maximum investment in business opportunities, education, save for retirement, insurance against risks, etc. by the rural individuals and firms Financial inclusion broadens the resource base of the financial system by developing a culture of savings among large segment of rural population and plays its own role in the process of economic development. Further, by bringing low income groups within the perimeter of formal banking sector, financial inclusion protects their financial wealth and other resources in exigent circumstances. It also mitigates the exploitation of vulnerable sections by the usurious money lenders by facilitating easy access to formal credit.

1.1 CONCEPT AND DEFINITION OF FINANCIAL INCLUSION:

Financial inclusion is one of the most important aspects in the present scenario for inclusive growth and development of economies. The financial inclusion term was first time used by British lexicon when it was found that nearly 7.5 million persons did not have a bank account. But financial inclusion concept is not a new one in Indian economy. Bank Nationalisation in 1969, establishment of RRBs and introduction of SHG- bank linkage programs were initiatives taken by RBI to provide financial accessibility to the unbanked groups. According to committee on Financial inclusion headed by Dr. C. Rangarajan defined financial inclusion as *"The process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost."* Financial inclusion does not stand for delivery of financial services for all at all cost. But it means that the delivery of financial services and products at affordable costs of excluded sections of population and low income groups. It plays a crucial role to remove away the poverty from the country. Financial inclusion is to provide equal opportunities to vast sections of population to access mainstream financial services for better life, living and better income. It provides path for inclusive growth. Financial inclusion can be described as the provision of affordable financial services, viz saving, credit, insurance services, access to payments and remittance facilities by the formal financial systems to those who are excluded. So, financial inclusion refers to access to vast range of financial product and services at affordable cost. It not only includes banking products but also other financial services such as loan, equity and insurance products.

Figure – 1: Household Assets to financial services



Source: A Hundred Small Steps a Report of the Committee on Financial sector reforms by **Raghuram G. Rajan**

Households need access to finance for several purposes like creating buffer, retirement, saving to hedge against unpredictable situations and take products for insurable contingencies. Household also needs access to credit for livelihood creation, housing, consumption and their emergencies. Finally households require financial services to access a wide range of saving and investment products for wealth creation but it is all depends upon their level of financial literacy. Financial inclusion is the provision of financial services at an affordable cost to weaker and disadvantaged sections of the society. India's financial inclusion is very low when compared to many other countries. There are different reasons for the same like remote location of the villages, uneconomic operational level to set up branches, illiteracy etc. Government of India and RBI has introduced several measures to increase the financial inclusion level of Indian's, particularly poor like no frill account campaign, compulsory rural branches, simplification of KYC norms etc.

1.2 IMPORTANCE OF FINANCIAL INCLUSION:

Easy access to financial services will allow the population leaving in lower strata, to save money safely and help in preventing concentration of economic power with a few individuals, thus mitigating the risks that the poor could face as a result of economic shocks. Therefore, providing access to financial services is becoming an area of concern for the policymakers as it has far reaching economic and social implications. In India, The single most frequently used source of loan for medium Indian household is still moneylender. Large parts of our financial system are still hampered by political intervention and bureaucratic constraints, limiting their potential contribution. India's poor, many of who work as agricultural and unskilled semi skilled wage laboures and low salaried workers are largely excluded from the formal financial system. Even micro and small enterprises, find it difficult to have an access to formal sources of finance and thus are largely excluded from financial system. Over 40% of India working population earn but have no saving. Financial inclusion provides protection to poor from the control of the spurious money lenders.

1.3 HISTORY OF FINANCIAL INCLUSION:

Financial inclusion evolved from a need to provide low-income people with financial services that can positively influence their personal financial health. Over the past several decades, financial inclusion grew from roots in simple, small loans to encompass the basic financial services that provide a healthy financial future for millions across the world.

Mid 1970s to early 2000s

Microcredit is born as Muhammad Yunus (who would go on to win the Nobel Peace Prize 30 years later) makes his first loan of $27 out of his pocket in 1976 to a group of women weavers in his native Bangladesh.
The microcredit methodology expands beyond Asia to other regions, especially Latin America. Most providers are non-profit NGOs (nongovernmental organizations).

Early to late 2000s

Microfinance becomes the term of art. This shift reflected the growing understanding that low-income people wanted and needed more than credit: they wanted financial services including savings, insurance, asset-leasing, pensions, and more. As the term microcredit falls out of favor and is replaced by microfinance (and also access to finance), there is a corresponding shift in the profile of providers. Credit-only NGOs begin transforming into regulated institutions licensed to accept deposit savings, and commercial banks begin providing services to lower market segments.

Beginning in the early 2010s

Financial inclusion (along with financial health and asset building) captures the reality that specialized financial institutions aimed at low-income people are unlikely to meet the financial needs for the 2 billion people without even a basic bank account. Despite all its successes, the microfinance industry still reaches only about 200 million people – or about 10 percent of the global need. Financial inclusion is about leveraging existing financial players (e.g., banks, microfinance institutions, insurers, government pension programs) and connecting them to each other and to nonfinancial players (e.g., mobile network operators, retail outlets with large operating footprints) to scale up outreach bigger and faster than specialized providers could do by themselves.

1.4 FINANCIAL INCLUSION PLAN:

Comprehensive Financial inclusion of the excluded sections is therefore proposed to be achieved by 14th August,2018 in two phases as under:

Phase I (15th August ,2014-14th August,2015)- Universal access to banking facilitiesϖ Providing Basic Banking Accounts with overdraftϖ facility of Rs.5000 and RuPay Debit card with inbuilt accident insurance cover of Rs. 1 lakh Financial Literacy Programme Creation of Credit Guarantee Fund for coverage ofϖ defaults in overdraft A/Cs

Phase II (15th August 2015-14th August,2018)- Micro Insuranceϖ Unorganized sector Pension schemes like Swavlambanϖ Some of the Phase II activities would also be carried out in Phase I . In addition, in this phase, coverage of households in hilly, tribal and difficult areas would be carried out. Moreover, this phase would focus on coverage of remaining adults in the households and students.

1.5 REGULATIONS:

- Simplified KYC Norms: - Under current KYC norms, a customer has to provide number of documents for opening an account as per RBI guidelines. However, the people living in rural areas face problem in fulfilling these norms. To enable banks to tap in this huge opportunity of rural banking in unbanked areas and to meet the objective of financial inclusion, RBI has relaxed a number of norms for accounts opened by people who plan to keep balances not exceeding Rs.50, 000 and whose total credit in all the accounts taken together is not expected to xceed Rs.100, 000 in a year. Small accounts can now be opened on the basis of an introduction from another account holder who has satisfied all the KYC norms.
- Simplified bank saving account opening: - The account opening form has been simplified to ease the opening of account by the poorer sections, street hawkers and other migratory labours of the society.
- Bank branch authorization: - RBI has permitted banks to open branches without taking authorization, thus deviating from its normal norms, in tier 3 to 6 city, towns, or villages. This would enable the government, regulator and the banks to speed up the drive for financial inclusion and this make available the financial services to the unbanked population of the country.

2. LITERATURE REVIEW:

Dr. N. Sundaram and M.Sriram (2016) concluded that studies on financial inclusion have tackled the issue from variety of viewpoints, and the focus is seemingly on finding out the relationship between financial inclusion with awareness, digital technology and constraints to access. **Joseph and Varghese (2014)** analyzed the effect of financial inclusion on the development of Indian economy by bank growth rate in terms of number of bank branches, usage of debit card and credit cards. It has been observed that the usage of debit cards increased tremendously throughout the study period and decreased the number of people with access to the products and services offered by the banking system continues to be very limited, even years after introduction of inclusive banking initiatives in the country. **Kamboj (2014)** found out the positive relationship between number of bank branch networks and number of ATMs in the country with the GDP growth rate of the country. **Uma and Rupa (2013)** made an attempt to examine the role of SHGs in financial inclusion and reflected the positive relationship between SHGs membership and financial inclu-sion. The study revealed that after the membership to SHGs there was increase in the number of bank accounts, credit availed by the members and annual repayment of the loan also shown positive trend. **Mukherjee and Chakraborty (2012)** studied the role and efficiency of the commercial banks in Jharkhand state with their capacity and role of institutions like regional rural banks (RRBs), self-help groups (SHGs), non-banking financial companies (NBFCs) for the purpose of promoting financial inclu-sion. The results of analysis shown that banks were not able to achieve the desired aims and study suggested that every bank should reports to the RBI on its achievement on financial inclusion more frequently. **Dangi and Kumar (2013)** examined the initiatives and policy measures taken by RBI and Government of India. This study also focused on current status and future prospects of financial inclusion in India. It has been concluded that financial inclusion shows progressive and valuable changes but sufficient provisions should be incorporate in the business model to certify that the poor are not driven away from banking. **Suryanarayana (2008)** focused on definition of inclusion/exclusion with reference to an outcome scenario for broad-based growth as reflected in estimates of production, income, and consumption distribution. The study helps in drawing a sketch of occupational, social, regional profiles of the excluded in the mainstream growth process. Hence researcher made an attempt to provide a perspective, a measure of inclusion, and finally an evaluation based on the available estimates of consumption distribution for the year 2004–2005 for India. **Agrawal (2008)** studied the financial inclusion from the behavioural perspective based on both factors supply and demand end. Results revealed that evaluation from the behavioural perspective provided the scope for the policy-makers and marketers to strategically align their approach with the behavioural aspect, without confining their thoughts to the economical evaluations.

2.1. OBJECTIVES OF THE STUDY:

- To bring out financial inclusion an overview.
- To examine Government's initiatives in strengthening the financial inclusion.

3. RESEARCH METHODOLOGY:

The present paper is Exploratory. The data is collected through newspaper, Journals, websites, RBI Reports which is secondary in nature.

3.1. FINANCIAL INCLUSION IN INDIA:

The Reserve Bank of India setup a commission (Khan Commission) in 2004 to look into Financial Inclusion and the recommendations of the commission were incorporated into the Mid-term review of the policy (2005-06). In the report RBI exhorted the banks with a view of achieving greater Financial Inclusion to make available a basic "no-frills" banking account. In India, Financial Inclusion first featured in 2005, when it was introduced, that, too, from a pilot project in UT of Pondicherry, by Dr. K. C. Chakraborthy, the chairman of Indian Bank. Mangalam Village became the first village in India where all households were providedbanking facilities. In addition to this KYC (Know your Customer) norms were relaxed for people intending to open accounts with annual deposits of less than Rs. 50, 000. General Credit Cards (GCC) were issued to the poor and the disadvantaged with a view to help them access easy credit. In January 2006, the Reserve Bank permitted commercial banks to make use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions and other civil society organizations as intermediaries for providing financial and banking services. These intermediaries could be used as business facilitators (BF) or business correspondents (BC) by commercial banks. The bank asked the commercial banks in different regions to start a 100% Financial Inclusion campaign on a pilot basis. As a result of the campaign states or U.T.s like Pondicherry, Himachal Pradesh and Kerala have announced 100% financial inclusion in all their districts. Reserve Bank of India's vision for 2020 is to open nearly 600 million new customers' accounts and service them through a variety of channels by leveraging on IT. However, illiteracy and the low income savings and lack of bank branches in rural areas continue to be a road block to financial inclusion in many states. Apart from this there are certain in Current model which is followed. There is inadequate legal and financial structure. India being a mostly agrarian economy hardly has schemes which lend for agriculture. Along with Microfinance we need to focus on Micro insurance too.

4. GOVERNMENTS INITIATIVES TOWARDS FINANCIAL INCLUSION:

The government has taken various initiatives indirectly through the regulators, government promoted schemes through its various ministries. Some such initiatives have been listed below.

- Induction of SHG-2:- The original SHG as initialized by NABARD had certain limitations. This led to NABARD preparing a strategy to revitalize the SHG movement leading with the induction of SHG-2 model.
- Women SHGs Development Fund: - The Union Budget 2011-2012 proposed a "Women"s SHG"s Development Fund" with a corpus of Rs. 500 crore. The GoI created this fund to empower women and promote their SHGs. The responsibility of managing the fund is of NABARD. It managed the same through two of its major microfinance funds, namely Financial Inclusion Fund (FIF) and the Financial Inclusion Technology Fund (FITF).
- Swarnjayanti Gram Swarozgar Yojana (SGSY):- It is a centrally sponsored scheme that follows the mechanism of forming SHGs of rural poor households, providing capacity building training and linking groups to banks. SGSY is primarily designed to promote self-employment oriented income generating activities for the Below Poverty Level (BPL) households in rural areas.
- National Rural Livelihood Mission (NRLM):- Established in June 2010 by the Ministry of Rural Development (MoRD), GoI. It is based on the success of Indira Kranti Patham (IKP), a poverty alleviation program being implemented in Andhra Pradesh. The key strategies of NRLM are to
  a. Implement the program with greater emphasis on federations of SHGs

b. Provide flexibilities to states for designing specific action plans for poverty alleviation,
c. Introduce interest subsidy for encouraging repayments of loans and provide multiple doses of credit
d. Improve training and capacity building efforts by setting up skill training institutes in each district
e. Facilitate market linkages and
f. Improve monitoring and evaluation process.

- The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS):- This scheme aims to enhance the livelihood of the rural people by guaranteeing at least one hundred days of wage employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work. As the payments are made through the bank/post office accounts, in 2010-11, nearly 10 crore bank/post office accounts have been opened.
- Aadhaar- Unique Identification Authority of India (UIDAI):- The GoI has embarked an initiative to provide an individual identification number to every citizen of India and in 2009; it established the UIDAI to issue these cards on behalf of the GoI. This number provided by UIDAI will serve as a proof of identity and address, anywhere in India. The Aadhaar number will also enable people to have access to services such as banking, mobile phone connections and other government and non-government services in due course. In addition, the UIDAI has introduced a system in which the unbanked population will be able to open an account during enrollment with Aadhaar without going to a bank. The individual will be able to access such bank accounts through a micro-ATM network with large geographic reach.

5. STEPS TAKEN IN AREA OF BANKING FOR FINANCIAL INCLUSION ARE:

RBI's Compulsory Requirement of Opening Branches in Un-banked Villages, banks are directed to allocate at least 25% of the total number of branches to be opened during the year in un-banked (Tier 5 and Tier 6) rural centers.

- No Frill account- The central bank had introduced 'no-frills' accounts in 2005 to provide basic banking facilities to poor and promote financial inclusion. The accounts could be maintained without or with very low minimum balance. These were later converted into BSBDA
- BSBDA- RBI advised all banks to open Basic Saving Bank Deposit (BSBD) accounts with minimum common facilities such as no minimum balance, deposit, and withdrawal of cash at bank branch and ATMs, receipt/ credit of money through electronic payment channels, facility of providing ATM card
- JAN DHAN Account- These are similar to BSBDA but with little more features as Earlier bank were reluctant to open BSBDA account. Banks also do not provide good service to BSBDA account holder. They even denied service like the debit card. But after JHAN DHAN Yojna this scenario has been completely changed.

Table I Financial Inclusion Plan : A Progress Report

Particulars	End- March 2010	End- March 2016	End- March 2017
1	2	3	4
Banking Outlets in Villages – Branches	33,378	51,830	50,860
Banking Outlets in Villages>2000-BCs	8,390	98,958	105,402
Banking Outlets in Villages<2000- BCs	25,784	432,271	438,070
Total Banking Outlets in Villages – BCs	34,174	531,229	543,472
Banking Outlets in Villages- Other Modes	142	3,248	3,761
Banking Outlets in Villages -Total	**67,694**	**586,307**	**598,093**
Urban Locations covered through BCs	447	102,552	102,865
BSBDA-Through branches (No. in million)	60	238	254
BSBDA-Through branches(Amt. in ` billion)	44	474	691
BSBDA-Through BCs (No. in million)	13	231	280
BSBDA-Through BCs (Amt. in ` billion)	11	164	285
BSBDA-Total (No. in million)	**73**	**469**	**533**
BSBDA Total (Amt. in ` billion)	**55**	**638**	**977**
OD facility availed in BSBDAs (No. in million)	0.2	9	9
OD facility availed in BSBDAs (Amt. in ` billion)	0.1	29	17
KCCs -Total (No. in million)	24	47	46
KCCs -Total (Amt. in ` billion)	1,240	5,131	5,805
GCC-Total (No. in million)	1	11	13
GCC-Total (Amt. in ` billion)	35	1,493	2,117

ICT A/Cs-BC-Total Transactions (No. in million)	27	827	1,159
ICT A/Cs-BC-Total Transactions (Amt. in ` billion)	7	1,687	2,652

6. CONCLUSION:

Our Country is still lagging behind in the process of providing financial services to the masses with nearly half the households remaining unbanked, and nearly seventy percent villages not having bank branches. After the continuous efforts made by all stakeholders like Regulators, Government, Financial Institutions and others, the efforts are not yielding the results as expected. The regulator has to create a suitable regulatory environment that would keep the interest of all the stakeholders. As banks play a vital role in the financial inclusion, should use intensive mobile banking services to deliver banking and financial services to the people. Literacy as a prerequisite helps in creating investment awareness and hence innately seems to be play a key tool for financial inclusion.

REFERENCES:

1. Aghion, P., & Bolton, P. (1997). A theory of trickle-down growth and development. *The Review of Economic Studies*, *64*(2), 151–172. http://dx.doi.org/10.2307/2971707
2. Agrawal, A. (2008). The need for Financial Inclusion with an Indian perspective. *Economic Research*, 1–10. Retrieved from google.com [PDF].
3. Banerjee, A. V., & Newman, A. F. (1993). Occupational choice and the process of development. *Journal of Political Economy*, *101*(2), 274–298. http://dx.doi.org/10.1086/261876
4. Banerjee, A. V. (2001). *Contracting constraints, credit markets and economic development*.. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract id=306990
5. Chakrabarty, K. C. (2013, September). *Keynote address on financial inclusion*. Mumbai.
6. Chhabra, N. (2015). *Financial inclusion in India* Thesis. Rohtak: Maharshi Dayanand University. Retrieved from http://shodhganga.inflibnet.ac.in/handle/10603/36960
7. Chithra, N., & Selvam, M. (2013). *Determinants of financial inclusion: An empirical study on the inter-state variations in India*. Retrieved from ssrn.com/abstract=2296096.
8. N.Mehrotra, V. Puhazhendhi, G. Nair G, B. B. Sahoo, Financial Inclusion – An overview(Occasional Paper – 48), Department of Economic Analysis and Research & National Bank for Agriculture and Rural Development, Mumbai, 2009, 1-24.
9. C Rangarajan, Report of the committee on Financial Inclusion, 2008,1- 31.
10. Report of Financial service provision and the prevention of financial exclusion, Report of European Commission,2008 ,1-10
11. D. Goodwin, L. Adelman, S. Middleton and K. Ashworth, debt, money management and access to financial services: evidence from the 1999 PSE survey of Britain (Working Paper – 8), Poverty and Social exclusion survey of Britain Centre for Research in Social Policy,1999, 1- 6.
12. Asli Demirguc-Kunt and Leora Klapper, Measuring Financial Inclusion: The Global Findex Database, World Bank policy research Working paper 6025, 2012, 1-61
13. A Little data book on Financial Inclusion 2012, The World Bank, 2012, 2-74. retrieved from: http://data.worldbank.org/products/data-books/little-data-book-on-financial-inclusion
14. Demirguc-Kunt, Asli; Klapper, Leora; Randall, Douglas, The Global Findex database : financial inclusion in India, Findex notes; no. 8., The World Bank,2013,1-6. retrieved from: http://documents.worldbank.org/curated/en/2013/02/18477245/global-findex-database-financial-inclusion-india

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

MANAGEMENT OF NON-PERFORMING ASSETS IN REGIONAL RURAL BANKS - A COMPARATIVE STUDY

[1]Dr. THIRUPATHI KANCHU, [2]Dr. D. HARIKANTH
[1]Asst. Professor, Dept. of Commerce & Business Mgt. Satavahana Uni., Karimnagar
[2] Chairperson, Board of Studies, Dept. of Commerce, Satavahana University, Karimnagar

Abstract: *NPA is defined as a loan asset, which has ceased to generate any income for a bank whether in the form of interest or principal repayment. As per the prudential norms suggested by the Reserve Bank of India (RBI), a bank cannot book interest on an NPA on accrual basis. In other words, such interests can be booked only when it has been actually received. Therefore, an NPA account not only reduces profitability of banks by provisioning in the profit and loss account, but their carrying cost is also increased which results in excess & avoidable management attention. Apart from this, a high level of NPA also puts strain on a bank's net worth because banks are under pressure to maintain a desired level of Capital Adequacy and in the absence of comfortable profit level; banks eventually look towards their internal financial strength to fulfil the norms thereby slowly eroding the net worth. Hence present study aimed to identify and compare the Non Performing Assets of Telangana Grameena Bank and Andhra Pradesh Grameena Vikas Bank. This paper also compares the NPAs of Priority and Non-priority sector lending. To attain the objectives of the study secondary data has been collected from the annual reports of TGB and APGVB. This data has been analysed by using appropriate statistical tools. Findings of the study clearly revealed that there is a difference between net NPAs of Telangana Grameena Bank and Andhra Pradesh Grameena Vikas Bank.*

Key Words*: Non-Performing Assets, Asset Classification, APGVB, TGB, Priority Sector*

I. INTRODUCTION:

After nationalisation of banks in July 1969, there has been tremendous growth in the banking industry and tremendous efforts were made to enhance the disbursement of credit in both priority and non priority sectors. However after 1991, with the opening of the Indian economy and with the introduction of financial sector reforms, banks became more cautious in sanctioning of loans and advances on account of piling NPAs.

1.1. MEANING OF NPAS:

An asset is classified as NPAs if due in the form of principal & interest not paid by the borrower for a period of 90 days. A non performing asset shall be a loan or an advance where:-

- Interest or instalments of principal remain overdue for a period of more than 90 days in respect of a term loan.
- The amount remains 'out of order' for a period of more than 90 days in respect of an overdraft/cash credit.
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- Interest or instalment of principal remains overdue for two harvest seasons but for a period not exceeding two half years in the case of an advance granted for agricultural purposes & W.e.f.30-09-2004, following further amendments were issued by the apex bank.
- A loan granted for a short duration crops will be treated as NPAs if the instalment of principal or interest their on remains overdue for two crop seasons.
- A loan granted for long duration crop will be NPAs if the instalment or principal or interest there on remains overdue for one crop season.
- Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

If any advance or credit facility granted by banks to a borrower becomes non performing, then the bank will have to treat all the advances/credits facilities granted to that borrower as non performing without having any regard to the fact that there may still exist certain advances/credit facilities having performing status. As per the procedural norms suggested by RBI, a bank cannot book interest on an NPA on accrual basis.

1.2. TELANGANA GRAMEENA BANK:

The Bank was established by amalgamating four RRBs Sponsored by State Bank of Hyderabad, viz. 1) Sri Saraswathi Grameena Bank, Adilabad 2) Sri Satavahana Grameena Bank, Karimnagar 3) Sri Rama Grameena Bank, Nizamabad and 4) Golconda Grameena Bank, Ranga Reddy (Hyderabad) sponsored by State Bank of Hyderabad on 31st March 2006 as Deccan Grameena Bank. The Daccan Grameena Bank renamed as Telangana Grameena Bank from 2014.

1.3. APGVB AT GLANCE:

By the amalgamation of the following 5 banks, namely Sri Vishaka Grameena Bank, Nagarjuna Grameena Bank, Sangameshwara Grameena bank, Mangeera Grameena Bank and Kakatiya Grameena Bank sponsored by SBI on 31st March 2006, the Andhra Pradesh Grameena Vikas Bank (APGVB) was formed to participate more energetically, with synergy in the uplift and development of rural form sector and rural non-form sector, with emphasis on the deprived, the rural poor and rural crafts.

2. REVIEW OF LITERATURE:

Many published articles are available in the area of non-performing assets and a large number of researchers have studied the issue of NPA in banking industry. A review of relevant literature has been described.

Kumar (2013) in his study on “A Comparative Study of NPA of Old Private Sector Banks and Foreign Banks” has said that Non-performing Assets (NPAs) have become a nuisance and headache for the Indian banking sector for the past several years. One of the major issues challenging the performance of commercial banks in the late 90s adversely affecting was the accumulation of huge non-performing assets (NPAs).

A.Ibemcha Chanu, & Pankaj Dey (2015) in their study on “Non-Performing Assets (NPA) of Regional Rural Banks of Assam: A Comparative Analysis” has concluded that the Langpi Dehangi Rural Bank (LDRB), which operates in the hill districts of Assam, manages NPA better than Assam Gramin Vikash Bank (AGVB) during this period.

S. K. Gupta & Mohd Aslam (2015) has written an article on “Management of Non Performing Assets – A Case Study”. In this paper they made an attempt to study the causes of NPAs in Regional Rural Banks viz J&K Grameen Bank and also to suggest few strategies for reducing them. They suggested that the recovery machinery of the bank has to be modernised, targets should be set for field officers not only for recovery in general but also in terms of upgrading number of existing NPAs.

Vivek Rajbahadur Singh (2016) in his study on “A Study of Non-Performing Assets of Commercial Banks and its Recovery in India” revealed that Non Performing Assets is very high in public sector banks. Although various steps have been taken by government to reduce the NPAs but still a lot needs to be done to curb this problem.

2.1. RESEARCH GAP:

From the review of literature, it is revealed that all the studies are related to its impact on banking operations, depositors, economy as a whole, etc. Whereas any study doesn’t analyse about the raising trend of NPAs particularly among the RRBs. The study of Management of Non-Performing Assets in Regional Rural Banks - A Comparative Study is not found in the existing literature. Hence, the study is an attempt to fill up the existing research gap.

2.2. OBJECTIVES OF THE STUDY:

This paper aimed to study the following objectives.

- To identify the various causes of Non Performing Assets
- To study the growth and Compare the Non-performing Assets of Telangana Grameena Bank and Andhra Pradesh Grameena Vikas Bank
- To compare the Non Performing Assets between priority sector and non priority sector.

3. RESEARCH METHODOLOGY:

The study is descriptive in nature. It is based on secondary data. The data have been collected from annual reports of TGB and APGVB, books, journals and websites. For analysing the data, descriptive statistics like tabulation, Mean, Std. Deviation and also t-test have been used. The study covers five years of data from 2012-13 to 2016-17.

3.1. FACTORS CONTRIBUTING TO NPAS

According to a recent study conducted by the RBI, the underlying reasons for NPAs in India can be classified into two heads, namely internal factors and external factors:

Internal factors

The following internal factors contribute to NPA in the order of prominence:

- Diversion of funds for expansion/diversification/modernisation or for taking up new projects.
- Diversion of funds for assisting or promoting associate concerns.
- Time or cost overrun during the project implementation stage.
- Business failures due to product failure, failure in marketing,etc.
- Inefficiency in management.

- Slackness in credit management & monitoring.
- Inappropriate technology or problems related to modern technology.

External factors

The external factors that contribute to NPAs are the following:

- Recession in the economy as a whole
- Input or power shortage
- Price escalation of inputs
- Exchange rate fluctuation
- Accidents & natural calamities
- Changes in govt policies relating to excise and import duties, pollution control orders, etc.
- Govt loan waiver scheme.

Other factors

Apart from the above factors, there are certain other factors which are responsible for standard assets becoming NPAs. There are the following:

- Liberalisation of the economy and the consequent pressures from liberalisation like severe competition, reduction of tariffs, removal of restriction etc.
- Poor monitoring of credits and the failure to recognise early warning signals shown by standard assets.
- Promoters over optimism in setting up large projects.
- Sudden crashing of capital markets and the failure to raise adequate funds.
- Granting of loans for certain sectors on the basis of Governament's directives rather than commercial imperatives.
- Mismatch of funding i.e., using loans granted for short-term for long-term transactions.
- High leveraging and high cost of borrowing.
- Commitment of wilful defaults sensing that the legal resource available to collect debts is very slow.

4. ASSET CLASSIFICATION:

Assets are classified into following four categories:

- Standard Assets
- Sub standard Assets
- Doubtful Assets
- Loss Assets

Standard Assets: Standard assets are the ones in which the bank is receiving interest as well as the principal amount of the loan regularly from the customer. Here it is also very important that in this case the arrears of interest and the principal amount of loan do not exceed 90 days at the end of financial year. If asset fails to be in category of standard asset that is amount due more than 90 days then it is NPA and NPAs are further need to classify in sub categories as sub standard assets, doubtful assets and loss assets.

Sub Standard Assets: With effect from 31 March 2005, a substandard asset would be one, which has remained NPA for a period less than or equal to 12 month. The following features are exhibited by substandard assets: the current net worth of the borrowers / guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full and the asset has well-defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

Doubtful Assets: A loan classified as doubtful has all the weaknesses inherent in assets that were classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values – highly questionable and improbable. With effect from March 31, 2005, an asset would be classified as doubtful if it remained in the sub-standard category for 12 months.

Loss Assets: A loss asset is one which considered uncollectible and of such little value that its continuance as a bankable asset is not warranted- although there may be some salvage or recovery value. Also, these assets would have been identified as" loss assets "by the bank or internal or external auditors or the RBI inspection but the amount would not have been written-off wholly.

Table-1
Asset Classification of TGB and APGVB (Rs. In lakhs)

Telangana Grameena Bank							
	2012-13	2013-14	2014-15	2015-16	2016-17	Average	CAGR
Standard Assets	266566 (96.04)	342947 (97.12)	407363 (97.86)	445482 (97.69)	491653 (97.21)	390802 (97.29)	16.54%
NPAs	10980	10163	8891	10285	14116	10887	6.48%

	(3.96)	(2.88)	(2.14)	(2.31)	(2.79)	(2.71)	
Total Assets	277546 (100)	353110 (100)	416254 (100)	455767 (100)	505769 (100)	401689 (100)	16.19%
Andhra Pradesh Grameena Vikas Bank							
Standard Assets	632213 (95.94)	754561 (95.57)	876658 (96.70)	1034977 (97.62)	1215879 (98.31)	902858 (97.04)	17.76%
NPAs	26744 (4.04)	34981 (4.43)	29903 (3.30)	25200 (2.38)	20973 (1.69)	27560 (2.96)	-05.90%
Total Assets	658957 (100)	789542 (100)	906561 (100)	1060177 (100)	1236852 (100)	930418 (100)	17.05%

Source: Annual Reports of TGB and APGVB from 2012-13 to 2016-17

Table 1 reveals the classification of loan assets of Telangana Grameena Bank and Andhra Pradesh Grameena Vikas Bank. The standard assets of TGB have increased from Rs. 266566 lakhs to Rs. 491653 lakhs with a compound annual growth rate of 16.54 per cent. The NPAs, which includes Sub-standard assets Doubtful assets and Loss assets increased from Rs. 10980 lakhs to Rs. 14116 lakhs with a CAGR of 6.48 per cent. It indicates that bank is efficient in controlling NPAs. During the study period contribution of standard assets is 97.29 per cent, whereas NPAs 2.71 per cent on an average in total assets. The standard assets of APGVB have increased from Rs. 632213 lakhs to Rs. 1215879 lakhs with a compound annual growth rate of 9.32 per cent. The NPAs which includes Sub-standard assets Doubtful assets and Loss assets decreased from Rs. 26744 lakhs to Rs. 20973 lakhs with a negative CAGR of 5.9 per cent. It indicates that bank is efficient in controlling NPAs. During the study period contribution of standard assets is 97.04 per cent, whereas NPAs 2.96 per cent on an average in total assets. The Compound Annual Growth rate of total assets of TGB is 16.19 per cent whereas APGVB is 17.05 per cent. The CAGR of Gross NPAs of TGB is 6.48 whereas APGVB is -5.9 per cent which indicates APGVB has more control over gross nonperforming assets.

4. GROSS NPA TO GROSS ADVANCES RATIO:

It is a measure of the quality of assets in a situation, where the management has not provided for loss on NPAs. The gross NPAs are measured as a percentage of Gross Advances. Gross advances include standard assets plus gross NPAs. The lower the ratio, the better is the quality of advances. The Gross NPAs to Gross Advances ratio of TGB and APGVB is presented in table 2. The gross NPAs to gross advances ratio of TGB is decreased from 3.96 per cent in 2012-13 to 2.79 per cent in 2016-17 with average of 2.82 per cent. The NPAs ratio of APGVB is decreased from 4.04 to 1.69 per cent with an average of 3.17 during the study period. The mean ratios of two banks almost similar but the standard deviation of TGB is less than APGVB.

Table-2

Gross NPAs to Gross Advances Ratio

	2012-13	2013-14	2014-15	2015-16	2016-17	Mean	SD
TGB	3.96	2.88	2.14	2.31	2.79	2.82	0.712
APGVB	4.04	4.43	3.30	2.38	1.69	3.17	1.137

Source: Annual Reports of TGB and APGVB from 2012-13 to 2016-17

t – Test

t - Test is used to study the difference between Gross NPAs to Gross Advances Ratio of two Banks.

Hypothesis:

Ho: Null Hypothesis:- There is no significant difference between Gross NPAs to Gross Advances Ratio of Telangana Grameena Bank and Andhra Pradesh Grameena Vikas Bank.

H1: Alternative Hypothesis:- There is a significant difference between Gross NPAs to Gross Advances Ratio of Telangana Grameena Bank and Andhra Pradesh Grameena Vikas Bank.

Table-3 **Independent Samples Test**

	Levene's Test for Equality of Variance		t-test for Equality of Means		
	F	Sig.	T	d. f	Sig. (2-tailed)
Gross NPAs Equal variances Ratio Assumed	1.859	.210	-0.587	8	.574
Equal variances not Assumed			-0.587	6.716	.577

The Sig. (2-Tailed) value is 0.574. This value is greater than 0.05. Because of this, null hypothesis is accepted. Hence we can conclude that there is no statistically significant difference between the mean Gross NPAs to Gross Advances Ratio of Telangana Grameena Bank and Andhra Pradesh Grameena Vikas Bank.

5. NET NPA TO ADVANCES RATIO:

It is the most standard measure of assets quality measuring the net non-performing assets as a percentage to net advances. Net non-performing assets are gross non-performing assets minus net of provisions on Non-performing assets and interest in suspense account. According to Reserve Bank of India Provisions prescription bank should have minimum level of non-performing asset. The net NPAs to Advances ratio of TGB and APGVB is presented in table 2. The gross NPAs to gross advances ratio of TGB is fluctuated between 1.20 per cent to 1.55 per cent with average of 0.958 per cent. As per the international norms, a ratio of one per cent is considered to be tolerable and desirable. It is evident from the table that the average ratio of TGB is 0.958 which is less than the standard ratio, it indicates that the efficient control of nonperforming assets by the TGB. The net NPAs ratio of APGVB is decreased from 3.00 to 0.72 per cent with an average of 2.11 during the study period. The average ratio is more than the international standard norm. By taking necessary steps by APGVB to improve the recovery position, the NPAs have been decreasing. In future the ratio may touch the international standard. The standard deviation of TGB is less than APGVB.

Table -4 **Net NPA to Advances Ratio**

	2012-13	2013-14	2014-15	2015-16	2016-17	Mean	SD
TGB	1.20	0.43	0.64	0.97	1.55	0.958	0.444
APGVB	3.00	2.94	2.48	1.41	0.72	2.110	1.005

Source: Annual Reports of TGB and APGVB from 2012-13 to 2016-17

t – Test

t - Test is used to study the difference between net NPAs to Advances Ratio of two Banks.

Hypothesis:

Ho: Null Hypothesis:- There is no significant difference between net NPAs to Advances Ratio of Telangana Grameena Bank and Andhra Pradesh Grameena Vikas Bank.

H1: Alternative Hypothesis:- There is a significant difference between net NPAs to Advances Ratio of Telangana Grameena Bank and Andhra Pradesh Grameena Vikas Bank.

Table-5 Independent Samples Test

		Levene's Test for Equality of Variance		t-test for Equality of Means		
		F	Sig.	t	d. f	Sig. (2-tailed)
Net NPAs Ratio	Equal variances Assumed	6.499	.034	-2.344	8	.047
	Equal variances not Assumed			-2.344	5.505	.061

The Sig. (2-Tailed) value is 0.047. This value is less than 0.05. Because of this, null hypothesis is rejected. Hence we can conclude that there is a statistically significant difference between the mean net NPAs to Advances Ratio of Telangana Grameena Bank and Andhra Pradesh Grameena Vikas Bank.

6. NONPERFORMING ASSETS OF PRIORITY SECTOR AND NON PRIORITY SECTOR:

Priority sector lending is intended to provide institutional credit to those sectors and segments for which it is difficult to get credit. Non-Priority Sector lending is the sector towards which financial institutions are always ready to lend credit. This sector is still glamorous. It attracts finance every time. It covers all the remaining sectors which are other than PSL.

Table-6

Percentage of Gross NPAs to Total Advances in that Sector of TGB

	2012-13	2013-14	2014-15	2015-16	2016-17	Mean	SD
Priority Sector	4.53	3.04	2.83	2.79	2.99	3.236	0.731
Non-Priority Sector	1.67	1.98	1.55	0.85	0.71	1.352	0.547

Source: Annual Reports of TGB from 2012-13 to 2016-17

NPAs ratios of priority sector and non priority sector are presented in table 6. The percentage of Gross NPAs to Total Advances in priority sector is decreased from 4.53 per cent to 2.99 per cent whereas in non priority sector is decreased from 1.67 percent to 0.71 per cent during the study period. The mean ratio of priority sector 3.236 is more than non priority sector i.e., 1.352. The standard deviation in priority sector is more than non priority sector. Overall, Non Priority Sector has more control on Non Performing Assets, when compare to Priority Sector.

t – Test

t - Test is used to study the difference between the Gross NPAs ratio of Priority Sector and Non-Priority Sector lending.

Hypothesis:

Ho: Null Hypothesis:- There is no significant difference between Gross NPAs ratio of Priority Sector and Non-Priority Sector lending of Telangana Grameena Bank.

H1: Alternative Hypothesis:- There is a significant difference between Gross NPAs ratio of Priority Sector and Non-Priority Sector lending of Telangana Grameena Bank.

Table-7 **Independent Samples Test**

		Levene's Test for Equality of Variance		t-test for Equality of Means		
		F	Sig.	t	d. f	Sig. (2-tailed)
Gross NPAs to Total Advances in that Sector	Equal variances Assumed	.076	.790	4.613	8	.002
	Equal variances not Assumed			4.613	7.414	.002

The Sig. (2-Tailed) value is 0.002. This value is less than 0.05. Because of this, null hypothesis is rejected. Hence we can conclude that there is a statistically significant difference between the mean Gross NPAs ratio of Priority Sector and Non-Priority Sector lending of Telangana Grameena Bank.

Table-8 - **Percentage of Gross NPAs to Total Advances in that Sector of APGVB**

	2012-13	2013-14	2014-15	2015-16	2016-17	Mean	SD
Priority Sector	5.62	5.05	3.66	2.63	1.79	3.750	1.604
Non-Priority Sector	1.76	1.01	1.18	0.68	0.82	1.090	0.420

Source: Annual Reports of APGVB from 2012-13 to 2016-17

NPAs ratios of priority sector and non priority sector are presented in table 8. The percentage of Gross NPAs to Total Advances in priority sector is decreased from 5.62 per cent to 1.79 per cent whereas in non priority sector is decreased from 1.76 per cent to 0.82 per cent during the study period. The mean ratio of priority sector 3.75 is more than non priority sector i.e., 1.09. The standard deviation in priority sector is more than non priority sector. Overall, Non Priority sector has more control on Non Performing Assets, when compare to Priority Sector.

t – Test

t - Test is used to study the difference between the Gross NPAs ratio of Priority Sector and Non-Priority Sector lending.

Hypothesis:

Ho: Null Hypothesis:- There is no significant difference between Gross NPAs ratio of Priority Sector and Non-Priority Sector lending of Andhra Pradesh Grameena Vikas Bank.

H1: Alternative Hypothesis:- There is a significant difference between Gross NPAs ratio of Priority Sector and Non-Priority Sector lending of Andhra Pradesh Grameena Vikas Bank.

Table -9 **Independent Samples Test**

		Levene's Test for Equality of Variance		t-test for Equality of Means		
		F	Sig.	t	d. f	Sig. (2-tailed)
Gross NPAs to Total Advances in that Sector	Equal variances Assumed	7.452	.026	3.587	8	.007
	Equal variances not Assumed			3.587	4.545	.019

The Sig. (2-Tailed) value is 0.007. This value is less than 0.05. Because of this, null hypothesis is rejected. Hence we can conclude that there is a statistically significant difference between the mean Gross NPAs ratio of Priority Sector and Non-Priority Sector lending of Andhra Pradesh Grameena Vikas Bank.

7. CONCLUSION:

Followings are the major findings from the study:

- There are several internal and external factors which contribute NPAs in the Banks among which inefficiency in management and slackness in credit management are internal and Govt loan waiver scheme is external factor majorly contributing NPAs in APGVB.
- The average ratio of standard assets to gross advances of TGB is 97.29 per cent, and the APGVB is 97.04 per cent. Banks are maintaining more than 97 per cent of std. Assets in its total advances. It indicates banks efficiency in managing standard assets.
- The average gross NPAs to gross advances ratio of TGB is 2.82 per cent whereas 3.17 per cent. The mean ratios of two banks are almost similar. The t- test also revealed that there is no significant difference gross NPAs ratio of two banks.
- The average net NPAs to Advances ratio of TGB is 0.958 per cent and APGVB is 2.11per cent during the study period. As per the international norms, a ratio of one per cent is considered to be tolerable and desirable. It is evident from the table that the average ratio of TGB is 0.958 per cent which is less than the standard ratio, it indicates that the efficient control of nonperforming assets by the TGB. The average ratio is more than the international standard norm. By taking necessary steps by APGVB to improve the recovery position, the NPAs have been decreasing. In future the ratio may touch the international standard. The t-test reveals that there is a significant difference between average net NPAs to Advances ratio of TGB and APGVB.
- The average percentage of Gross NPAs to Total Advances in priority sector is 3.236 per cent whereas non priority sector is 1.352 per cent in Telangana Grameena Bank. The standard deviation in priority sector is more than non priority sector.
- The average percentage of Gross NPAs to Total Advances in priority sector is 3.75 per cent, whereas non priority sector is 1.09 per cent in APGVB. The standard deviation in priority sector is more than non priority sector. Overall, Non Priority sector has more control on Non Performing Assets, when compare to Priority Sector.

REFERENCES:

1. Annual Reports of Andhra Pradesh Grameena Vikas Bank from 2005-06 to 2014-15
2. A. Ibemcha Chanu, & Pankaj Dey.,(2015), “Non-Performing Assets (NPA) of Regional Rural Banks of Assam: A Comparative Analysis” Contemporary Research in India, Vol. 5, Issue 3, pp 115-121
3. Bardia S.C. (2004) “Credit Efficiency in Banks: A Comparative Study”, The ICFAI University Press, August 2004, pp 60-67
4. Balasubramaniam C.S. (2012), “Non Performing Assets and Profitability of Commercial Banks in India: Assessment and Emerging Issues”, Abhinav National Monthly Referred Journal of Research in Commerce & Management, Vol.1, Issue 7, pp 41-52
5. Kumar, P.T.(2013), “A Comparative study of NPA of Old Private Sector Banks and Foreign Banks”, Research Journal of Management Sciences , ISSN 2319– 1171 Vol. 2(7), pp 38-40
6. Gupta, B.(2012), “A Comparative Study of Non-Performing Assets of SBI & Associates & Other Public Sector Banks”, SIT Journal of Management, Vol. 2, No. 3, pp 175-189
7. Prasad Bhavani G.V. and Veena D.(2011), NPAs Reduction Strategies for Commercial Banks in India, IJMBS Vol. 1, Issue 3, September, pp 47-53
8. Poongavanam S.(2011), Non performing assets: Issues, Causes and remedial Solution, Asian Journal of Management Research, Vol. 2, Issue 1, pp 123- 132
9. Rai, K.(2012), “Study on performance of NPAs of Indian commercial banks”, Asian Journal of Research in Banking and finance, Vol. 2, Issue 12, pp 42-49
10. Rajendra Kakker.(2004), “NPA Management–Role of Asset Reconstruction Companies”, IBA Bulletin, Volume 4, pp. 11 14
11. Satyanarayana, K. & Subrahmanyam G.(2000), “Anatomy of NPAs of Commercial Banks.” Applied Finance, Volume 6, No. 3, pp 14-26.
12. S. K. Gupta , Mohd Aslam.(2015), “Management of Non Performing Assets – A case study” International Journal of Science and Research (IJSR), Vol. 4, Issue 3, pp 543- 546
13. Vivek Rajbahadur Singh.(2016), “A Study of Non-Performing Assets of Commercial Banks and it’s recovery in India” Annual Research Journal of Symbiosis Centre for Management Studies, Pune, Vol. 4, pp 110-125

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

ROLE OF FINANCIAL INSTITUTIONS ON MSMEs IN INDIA

[1] Dr. M. SANTHOSH, [2] Prof. P. VARALAXMI
[1] Assistant professor in commerce Government Degree College – Peddapalli
[2] DepT of Commerce & Business Management, University Post Graduate College Khammam, Kakatiya University

Abstract: *Financial institutions providing boost to Indian economy. Government has recognized the important role of entrepreneurs in the industrial development and service sector of the country, especially through the micro small and medium enterprises (MSMEs). The government of India and state governments provides a number of special facilities and incentives to sectors. The incentives not only motivate entrepreneurs to set up industries in the small and medium scale sector, but also strengthen the entrepreneurial base in the economy. The government offers a package of financial services through its specialized institutions and motivates entrepreneurs to take advantage of the various facilities and establish enterprises and flourish. This package includes assistance in obtaining finance, help in marketing, technical guidance, training, and technology upgrade etc. the central and state governments have been created an elaborate institutional framework in the country. This type of institutions providing assistance to micro small and medium scale industries are broadly classified as "All India Institutions", "State Level Institutions" and "Fund-Based Institutions". This paper overall discussion about the financial institution for the MSMEs.*

Key words: *Institution, Boost, MSMEs, Finance and Sector.*

1. INTRODUCTION:

The financial institutions are broad based institutional framework for proper structuring and promotion of small and medium enterprise sector needs hardly any over emphasis. Where the control measure are being converted from state directed economic activity to market driven growth broad based institution structure for promotion of this sector is a critical factor. Hence, the state private and public institutions have a crucial role to play in effective policy formulation, implementation, support and training. For achieving these objectives, the specific programmes undertaken by the organizations of this ministry seek to provide some for the MSMEs; Adequate credit from financial institutions and banks, Funds for technology up gradation and modernization, Adequate infrastructural facilities, Modern testing facilities and quality certification laboratories, Modern management practices and skill up gradation through advanced training facilities, Marketing assistance and Level playing field at par with the large industries sector.

2. LITERATURE REVIEW:

A comprehensive review of the literature has been made to find out the research gap and to identify the relevant researchable issues of the study. It is necessary for a researcher to review of the related literature to have an obvious knowledge about the relevant context subject and understand the research gap in order to draw the scope of the study.

Mital manipara & Dr. Vijay pithada (2012) as per current scenario corporate restructuring is one of the most widely used strategic tools. In daily news we come across frequently with the headlines of merger, acquisitions, takeover, joint venture, demerger and so on.

Dr. Shivani Mishra(2012) it is well known that MSME sector provides maximum opportunity for both self employment and job outside agriculture sector.

R.Bhaskaran (2013) the small and medium scale industries, the financial institutions supporting various policies and government policy, and development setting to SMEs in India.

Rupali Sharma & Zia Afroz (2014) the MSMEs are the biggest employment provider after agriculture, employment to nearly 32 million people. This paper closely analyses the growth and development of the indian MSME sector since opening of the economy in 1991.

Dr. M.S.Vasu & Dr.K. Jayachandra (2014) the MSMEs sector plays a very significant role in terms of balanced and regional dispersal of enterprises by way of mobilization of capital and entrepreneurial skills.

2.1. OBJECTIVES OF THE STUDY:

1. To study financial institutions development in India
2. To explain various financial institutions for MSMEs
3. To analyses financial institutions strengthen of MSMEs.

3. RESEARCH METHODOLOGY:

The data collected from secondary data of that books, paper proceedings, articles, dissertation, thesis, publication journals and internet resource. The period of the study i.e., 2010-11 to 2016-17 of seven years data collected and analyzed in discussion paper.

3.1. INSTITUTIONAL ASSISTANCE TO MSMEs :

There are some of the important organizations that are associated with MSMEs in India viz. the central government, state government and other associations.

Central government, state government and financial institutions: Micro, Small And Medium Enterprises Advisory Board, Development Commissioner Of Micro, Small And Medium Enterprises, Training Services Of MSME Testing Centre-New Delhi, National Institute Of MSMEs, Indian Institute Of Entrepreneurship-Guwahati, National Institute For Entrepreneurship And Small Business Development (NIESBUD), National Small Industries Corporation Ltd. (NSIC).

Organization under the control of state government: Directorate of Industries, District Industries Centre(DIC), State Financial Corporation's(SFCs), State Industrial Development Corporations(SIDC), State Industries Investment Corporation(SIIC), Small Scale Industries Development Corporation(SSIDC), Credit Guarantee Fund Trust For Micro And Small Enterprises(CGTMSE), Small And Medium Enterprises Rating Agency(SMERA).Telangana state Industrial Infrastructure Training Consultancy-(TSIITCO) and Telangana State Financial Corporation (TSFC).

Associations in India: Role And Relevance Of SSI Associations, Federation Of Association Of Small Industries Of India(FASII), Federation Of Indian Micro, Small And Medium Enterprises(FISME), Indian Industries Association(IIA), The Chamber Of Small Industry Associations(COSIA), Laghu Udyog Bharati(LUB),Federation Of Small And Medium Industries (FOSMI), Associated Chamber Of Commerce And Industry Of India(ASSOCHAM), World Association For Small And Medium Enterprises (WASME), Consortium Of Women Entrepreneurs Of India (CWEI), Federation Of Indian Women Entrepreneurs(FIWE), changing of role SME associations- focus area for value addition, policy orientation and resources allocation.

Other agencies: Housing And Urban Development Corporation(HUDCO), Institute For The Design Of Electrical Measuring Instruments, Technical Consultancy Organization(TCO), Khadi and village Industries Commission, Entrepreneurship Development Institute Of India(EDII), Commercial Banks, Regional Rural Banks, Co-operative Banks, National Bank For Agriculture And Rural Development(NABARD), Export Import(EXIM) Bank, Small Industries Development Bank Of India(SIDBI). Small Development Organization (SIDO), Small Industries Development Bank Of India(SIDBI), Confederation Of Indian Industry(CII), Federation Of Indian Chamber Of Commerce And Industry(FICCI), National Institute Of Small Industry Extension Training(NISIET), Small Scale Industries Board(SSIB), PHD Chamber Of Commerce And Industry(PHDCCI) Federation Of Indian Exporters Organization (FIEO), Federation Of Association Of Small Industries Of India (FASII), Indian Institute Of Entrepreneurship (IIE), and Small Entrepreneurs Promotion And Training Institute(SEPTI).

TABLE 1 FINANCIAL INSTITUTIONS ESTIMATION OF O/S PROJECTED WORKING CAPITAL SUPPLY TO MSME SECTOR

As at end of the years	Credit to MSEs by SCBs	Credit to Medium Enterprises By SCBs	Total Credit to MSMEs by SCBs	Projected Working Capital by SCBs	Projected WC limit by RRBs	Projected WC limit by UCBs	Projected financial support by Factoring companies factoring	Projected supply of working capital to MSMEs
2010-11	485942	158069	644012	450808	2033	39527	12125	504492
2011-12	583130	173876	757006	529904	2439	53361	14550	600255
2012-13	699756	191263	891020	623714	2927	72037	17460	716139
2013-14	839708	210390	1050098	735068	3513	97250	20952	856783
2014-15	1007649	231429	1239078	867355	4215	131288	25142	1028000
2015-16	1209179	254572	1463751	1024626	5058	177239	30171	1237094
2016-17	1451015	280029	1731044	1211731	6070	239272	36205	1493278

Rupees in crore

Source: MSMEs of India annual report-2017

It is supply money to MSMEs to by scheduled commercial banks in the year 2010-11 rupees 485942 crore to 2016-17 rupees in 1451015 crore year of year increasingly. Total credit to MSMEs rupees in 2010-11 is 644012 crore by scheduled commercial bank to 2016-17is rupees in crore 1731044. Overall and total projected supply of working capital to MSMEs rupees in crore from 2010-11 is 504492 is to 2016-17 was rupees in crores 1493278.

TABLE 2 - FINANCIAL INSTITUTIONS ESTIMATION OF O/S TERM LOANS TO MSME SECTOR

(Rupees in crore)

As at end years	Projected Term Loan by SCBs	Projected Term Loan by SIDBI	Projected Term Loan by SFCs	Projected term loan by NBFCs	Projected total term loan to MSMEs
2010-11	193203	10768	7807	20891	232669
2011-12	227102	13460	8596	25069	274227
2012-13	267306	16825	8596	30083	322810
2013-14	315029	21031	8596	36099	380756
2014-15	371723	26289	8596	43319	449928
2015-16	439125	32861	8596	51983	532566
2016-17	519313	41077	8596	62380	631365

Source: MSMEs of India annual report 2016-17

The financial institution providing term laon to MSME sectors projected term laons by scheduled bank in years from 2010-11 was 193203 to 2016-17 was 519313 crore. The projected term loans by SIDBI in 2010 was 10768 crore to 2016-17 is 41077 crore. The projected term loan by state financial corporation in 2010 was 7807 to 2016-17 is 8596 crore. Non-banking financial corporation providing term loans to MSMEs in 2010 was 20891 to 2016-17 is 62380 crores. Of that total projected term loan to MSMEs in 2010 was 232669 to 2016-17 is 631365 crore.

3. SUGGESTIONS:

MSMEs relationship: Financial institutions need to change their perspective from that of being just a lender to that of being a strategic business partner. They must try to establish long- term relationships with those MSMEs, which have been the potential to be successful. Banks must not adopt a negative attitude toward MSMEs despite high levels of non-performing loans from past lending experiences.

Financial awareness. An enterprise’s transaction history with financial institutions plays a crucial role in determining the enterprise’s creditworthiness. Financial institutions can invest in training for loan officers so that they can communicate their institution’s policies effectively to MSMEs.

The securities unwind: Explore alternatives to requesting collateral, especially from enterprises in the early stages of the life cycle.

Financial schemes for MSMEs: Build up a corpus of funds that can be provided to MSMEs in need of a sudden capital infusion. Also, examine different and flexible repayment arrangements for loans disbursed to MSMEs.

Documentation for MSMEs: Consider reducing the burden of documentation required for MSME loan applications. As nonbanking financial companies can provide loans with less documentation, banks need to consider changing their approach toward MSMEs.

4. CONCLUSION:

At financial institution support to MSMEs in various schemes and methodology encouraging. The Government of India on behalf of Reserve Bank of India had set up many committees to improve the performance of MSME sector, the latest one being the Prime Minister’s Task Force on MSMEs, which provided a comprehensive framework for long term development of MSMEs, covering crucial issues and concerns relating to credit, marketing, infrastructure, technology, skill development, exit policy, labour, taxation, matter related to North Eastern Region and Jammu & Kashmir. The Task Force recommended a number of time-bound action plan which are being implemented by different ministries of Government of India. For that financial sector is very crucially to MSMEs sectors, this type of institutions providing assistance to micro small and medium scale industries are broadly classified as "All India Institutions", "State Level Institutions" and "Fund-Based Institutions". This paper overall discussion about the financial institution for the MSMEs.

REFERENCES:

1. Annual report of ministry of micro, small and medium enterprises of India, 2016- 2017. http://msme.gov.in
2. Growth and performance of MSMEs and 4th Census of MSMEs, Development Commissioner, Government of India.
3. Laghu Udyog Bharti. The Indian small scale sector: An Overview, http://www. lubindia.org/ssi/what-is-ssi-php.

4. Small and medium enterprises in India, publication of taxmann publications (Pvt.) Ltd. Indian institute of banking and finance.
5. Dixit, A. and Pandey, A.K. (2011), 'SMEs and Economic Growth in India: Cointegration Analysis', The IUP Journal of Financial Economics, Vol. IX, No. 2, PP.41-59
6. Jagtap, K.N. (2011), 'Impact of Globalisation on Small Scale Industrial Units', Indian Streams Reserach Journal, Vol.1, Issue.XI/Dec; 11, PP.1-
7. Kumar, N.K. and Sardar, G. (2011), 'Competitive Performance of Micro, Small and Medium Enterprises in India', Asia Pacific Journal of Social S:iencesVol. III(I), Jan- June, 2011, PP: 128-46.
8. Mali, D.D. (1998), 'Development of Micro, Small and Medium Enterprises of India Current Scenario and Challenges', SEDME (Small Enterprises Development, Management and Extension) Journal, Vol.25, No.4.
9. Raghurama, A. (2004), 'Small Scale Industries in Kerala-Competitiveness and Challenges Under Globalization', SEDME, Vol. 31, No. 2, June 2004, PP.7- 17.
10. Singh, R., Verma, O.P., and Anjum, B. (2012), 'Small Scale Industry: An Engine of Growth',ZenithInternational Journal of Business Economics & Management Research,Vol.2 Issue
11. www.rbi.org.in

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

IMPACT OF SUCCESSION PLANNING ON EMPLOYEE ENGAGEMENT IN BANKING SECTOR

MADURAKOLA MALAVIKA
Assistant Professor, Sree Chaitanya College of Engineering Karimnagar , Telangana , India

***Abstract**: The purpose of this paper is to examine the impact of succession planning on employee engagement in banking sector. The paper provides on overview of the impact of succession planning on employee engagement in banking sector, for those academics researching in this area, with specific attention given to the role of talent management in current global environment. For this purpose proposed , 150 questionnaires were distributed manually at selected banks over Telangana only 100 were returned back results showed that there is a significant relationship between effective succession planning, which will help in developing effective leadership and role of that leadership as the most important enabler of employees engagement to the job, organization and teams, specifically in banking sector.*

***Keywords:** succession planning, employee engagement , employee job engagement, employee organizational engagement .*

1. INTRODUCTION:

Succession planning keep a pool of key people who are most qualified, to take the key positions to move forward the organization walker(1998). In succession management. It is essential to define the critical path of leadership skills development at all levels of people. The purpose of succession planning is to derive a systematic process that would independently and successfully tendered the modern business challenges such as development of organization , team development, globalization and talent management. A well planned and controlled systematic succession management system can deal with the vibrant environment since its connection to the contemporary strategies and mission of organizational business. If succession planning is effectively applied it can become a most useful tool in bringing the real talent forward. But unfortunately many organizations do not give any importance to such as useful techniques do not give any importance to such as useful techniques a society for human resource management(SHRM) it is a human factor that every person needs a tangible or intangible record for his hardwork and promotions are one of these rewards, which motivates him to increase his engagement in the organizational tasks or duties like succession planning, employee engagement can retain the talent in the organization resulting in improved organizational performance and stakeholder value. Employee engagement is influenced by many factors, i.e., if we look at workplace culture , from organizational communication and managerial styles, to trust and respect, leadership and company reputation etc…in current dynamic culture of organizations, access to training and career opportunities, work life balance and empowerment to make decision are very important. Thus , to promote a culture of engagement, succession planning helps in designing, measuring and evaluating proactive workplace policies and practices that help attract and retain talent with skills and competencies necessary for growth and sustainability of the organization.

2. RATIONALE OF STUDY:

It has become very important for any progressive organization to create skilled pool of people to remains in the industry for survival of its existence. Succession management planning system helps every organization to create such skilled human resources to compete in the industry. We are conducting this study to improve the existing succession planning efforts which leads to higher employees performance.

2.1. PROBLEM STATEMENT:

In this age of globalization, succession planning is considered by the backbone of every progressive organization, succession planning and its dimensions having impact on employee’s performance. In gigantic organization, succession planning has been done through proper talent induction system and trains the employees on advanced modules to secure market leadership in the industry.

The purpose of this study is to describe the concept of succession planning, employees engagement and performance appraisal experienced by employees and to identify the relationships of succession planning and employee performance. Current practices in managing their working. Employees performance can be derived through succession planning and employee engagement in this study dependent variable will be the employee performance which is a criterion variable and predictors of research are succession planning and employee engagement.

2.2. OBJECTIVES OF THE STUDY:

The main objectives of the study:

1. To study the existing level of employees performance in banking sector of Telangana .
2. To find out the role of succession planning in banking sector of Telangana .

2.3. RESEARCH QUESTIONS:

- Does succession planning has a positive impact of effective succession planning on employee engagement in banking sector ?
- Does succession planning has a positive impact of effective succession planning on employee job engagement in banking sector ?
- Does succession planning has a positive impact of effective succession planning on employee organizational engagement in banking sector ?

2.4. RESEARCH OBJECTIVES:

- To explore the impact of effective succession planning on employee engagement banking sector.
- To explore the impact of effectiveness succession planning on employee job engagement banking sector
- To explore the impact of effective succession planning on employee organizational engagement banking sector.

3. LITERATURE REVIEW:

Due to the transformation of the world into a global village, a unique change has been witnessed in the market place, where many companies are competing for talent. As organizations enter into a non-peripheral environment, the ability to explore, attract, engage and retain talent will gradually become more important (Lockwood, 2007). David Watkins (1998) first coined the term, talent Management. Since then, the societies and companies realized that the talent of the employees plays the key role in the success of a business (Teo, 2010). Effective talent management policies and practices that demonstrate commitment to human capital result in more engaged employees and lower turnover (Lockwood, 2006). In addition, the foundation for an engaged workforce is established by the quality, depth and authenticity of communication by senior management to employees, as well as the quality of supervision. Here, the role of the manager is the most important enabler of employee engagement to the job, organization and teams in an organization (CLC, 2004).

3.1. SUCCESSION PLANNING:

Investment in human capital requires careful planning. Under the talent management umbrella, succession planning and leadership development are important organizational business strategies to develop and retain talent. According to human capital index report (2005) , succession planning is also are of the key strategies to reduce turnover costs (wyatt , 2005) and the the likelihood nof employee engagement will be increased. Globally, succession planning is the hottest topic today, rothwell (2001,p.29) defines succession planning as a systematic process which is carried out especially for the continuity in key leadership positions, in order to retain and develop future intellectual capital of the organization.

Employee Engagement:

Employee engagement is now considered as the most important factor in the success of any organization. Globally, organizations are trying hard to engage their employees in their work, by offering them different types of tangible and intangible rewards. Different researches suggest that employee engagement plays the important role in retaining talent in any organization. According to Saks, Employee Engagement within an organization is tow folds, Job Engagement and immediate Work Engagement (2006). According to the scholars, employee engagement is incomplete, if any of the before mentioned dimensions, is missing in his job. Another scholar suggested four dimensions of employee engagement, but his focus was Gallup's 12 employee engagement factors. These dimensions are: growth of an employee, belongingness, what he is giving to the organization and what he is getting in return (Fleming, 2007). Saks discussed in his research the antecedents and consequences of employee engagement, proposed in Kahn (1990) and Maslach et al. (2001) model (2006, p.602). According to him, the antecedents of employee engagement include; 1) Job Characteristics, 2) perceived organizational support, 3) perceived supervisor's support, 4) Rewards and recognition, (succession planning is also one of these rewards) 5) procedural justice and 6) Distributive Justice. The consequences discussed in his research include; 1) job satisfaction, 2) organizational commitment, 3) Intention to quit, 4) organizational citizenship and 5) Behavior.

SP and EE in Public, Private and Non-for-Profit Organizations:

Literature suggest that succession planning is mostly studied in the context private firms, out of 130 studies from 1980-1993, there are only five researches which studied succession planning in public sector (Wilkerson, 2007, p.3). Schall in her study on succession planning revealed that the serious study of SP in Public sector started in 1992 by the National Academy of Public Administration which was the result of increased turnover in this sector (1997, p.6). She also discovered that there is a lack of focus on this issue in public sector. Kesner and Sebora found only three studies related to succession planning transition in Non-for-Profit sector and according to them all of these studies focused on Universities only (1994). Although EE is a hot debate everywhere, but we do not find much literature on sectoral comparison EE. However, literature on employee engagement suggests that in corporate sector employees are expected to work longer hours in a day, they have to take more responsibility on them, they have to be more flexible and they have to build more tolerance with this rapid change and ambiguity (Herriot and Pemberton, 1995), so instead of increased employee engagement, people in this sector are more psychologically ill (Barling, Kelloway, & Frone, 2005). Literature related to EE in Public Sector suggests that in public sector employees are more engaged in their work as compared to private sector, because of the intrinsic reward they gain from public service. However, surveys usually oppose this idea (Williams, 2003). However, if we talk about Non-for-profit sector, according to Guevara & Ord, people are now shifting from materialistic to post materialistic era and individualistic cultural values are being rejected by the society, now people are seeking for greater meaning and a purpose of their lives (1996, p.711). It derives more employee engagement in people who are working for the welfare of the society along with greater chances of making money.

3.2. HYPOTHESIS:

Therefore the proposed hypothesis of the study is:

H1: Effective Succession Planning positively effects Employee engagement in Banking Sector

H2: Effective Sp increases the likelihood of Employee Job Engagement in Banking Sector

H3: Effective Sp increases the likelihood of Employee Organizational Engagement in Banking Sector.

4. RESEARCH DESIGN AND METHOD:

OVERVIEW

This is a causal comparative study that will use a survey to address the research goals.

SAMPLING

Respondents will be selected through purposive sampling technique. The data will be collected from the head offices and franchise of five different banking organization , 50 participants from each organization. As this study focuses on the managerial employees or other employees of similar ranks only so that the sample size is limited to 150 participants only.

5. LIMITATIONS AND FUTURE IMPLICATIONS:

The first and foremost limitation of this study is scarcity of time. The topic of the study is too wide, in comparison to this, time availability is too narrow. The sample size was chosen with the help of non probability sampling technique, and it was on convenient bases, therefore, the sample size was too small and is not representative of the whole population. Thirdly, this study shows the results from only one sector. None the less this is also a fact that the magnitude of succession planning and employee engagement has become too wide but still this area is ignored by the researchers in the past. It is only recently that the researchers have started giving due attention to this area. This study being a humble effort strongly recommends further research in this area.

6. CONCLUSION:

Succession Planning is a tool used to identify the right person at the right time and at the right place, specifically in the context of top management. Succession Planning is vital for any organization, because it helps in bringing the right person forward to the key positions, where all the business related decisions are to be taken. If implemented effectively, Succession Planning can bring high level of employee engagement in the organization, which is also a key business driver for any firm. The purpose of this paper was to check the impact of Succession Planning on Employee Engagement in the banking sector in india. Literature suggests that there is positive relationship between SP and EE. This fact is also checked and proven by the results presented in this article. This paper is not the representative of the whole population, because it only deals with one sector and sample size is also very small. Future researchers should fill the gaps represented in this research article.

REFERENCES:

1. Bano, S. (2010) Schematizing Talent Management, A Core Business Issue. Far East Journal of Psychology and Business. Vol. 2 No 1, pp 1-13

2. Barling, J., Kelloway, E, K., & Frone, M. (2005). Handbook of work stress. Thousand oaks: Sage, SAGE Publications, 2005 - Business & Economics, pp710 http://books.google.com/books?id=YLuI7yN4g84C
3. Barry, Lp. (2006), Business Succession planning: a review of the evidence. Journal of small business and enterprise development. Vol: 13, No: 3 http://emeraldinsight.com/ 1462-6004.htm
4. Bhatnagar, J. (2007), Talent management strategy of employee engagement in Indian ITES employees: key to retention. Employee relations, Vol. 29 No. 6, pp. 640-663http://emeraldinsight.com/0142-5455.htm
5. Cappelli, P. (2008), Talent on Demand. Business Press Boston, Massachusetts, Vol:86, No: 3 pp.74-81https://www.mercurymagazines.com/pdf/75_Talent_Management_The_New_Business_Imperative.pdf
6. Corporate Leadership Council (2004). Driving performance and retention through employee engagementhttp://usc.edu
7. Cartwright, S. (2006), The meaning of work: the challenges of regaining employee engagement and reducing cynicism. Human Resource Management Review. No. 16, pp 199-208 http:// socscinet.com/1053-4822.htm
8. Engler, B. (2006), Humanism-Abraham Maslow, Personality theories. Houghton Mifflin Company, Boston, New York. ed. 7. pp. 346-348.
9. Fleming, J, H. (2007). Human Sigma: Managing the Employee-Customer Encounter. Retrieved from: //http://businessjournal.gallup.com/content/123461/Powerful-Alternative-Cutting-Costs.aspx
10. Franks, J. (2014). Pakistan in a difficult situation: IMF official. The dawn News. http://www.dawn.com/news/1041067
11. Fancher, L, P. (2007), The influence of organisational culture on the implementation of succession planning. Public management and policy dissertations. P28 http://digitalarchive.gsu.edu/pmap_diss/28
12. Farashah, A, D., Nasehifar, V. and Karahrudi, A, S. (2011), Succession planning and its effects on employee career attitudes: Study of Iranian governmental organizations. African Journal of Business Management Vol.5, No. 9, pp. 3605-3613. http://www.academicjournals.org/AJBM
13. Garson G., D., (2011). Reliability Analysis http://faculty.chass.ncsu.edu/garson/PA765/reliab.htm
14. Grigoryev, P. (2006). Hiring by competency models. Journal for Quality and participation, Vol. 24, No. 4, pp. 16-18 http:// emeraldinsight.com/ 1474-6085.htm
15. Groves, K, S.(2006), Integrating leadership development and Succession planning best practices. Journal of Management Development. Vol. 26 No. 3, pp. 239-260 http:// emeraldinsight.com/ 0262-1711.htm
16. Guevara, K., & Ord, J. (1996), The search for the meaning in a changing work context. Futures, Vol. 28, No. 8, pp 709-722 http://socscinet.com/1053-4822.htm
17. Herriot, P., & Pemberton, C. (1995). New deals, the revolution in managerial careers. Chichester: John Wiley and Sons http://www.employment-studies.co.uk/pubs/978-0-47195-799-7.htm
18. Henderson, T, L. 2005, Georgia's Flexible Succession planning model. Pp 1-70 http:// www.gms.state.ga.us/pdfs/sp/sp.guidelines.pdf
19. Hogan, R. & Kaiser, R, B. (2005), What We Know About Leadership. Review of General Psychology. Vol. 9, No. 2, pp. 169–180 http://onlinelibrary.wiley.com/doi/10.1046/j.1365-2834.2003.00357.htm
20. Huges, J, C. (2008), Talent Management: A strategy for improving employee recruitment, retention, and engagement within hospitality organisations. International Journal of contemporary hospitality management.http:// emeraldinsight.com/0959-6119.htm
21. Ibarra, P. (2004) Incorporating Succession Planning in your organisation.http:// www.gettingbetterallthetime.com/925.518.0187 P
22. Kahn, W, A. (1992), Psychological conditions of personal engagement and disengagement at work. Academy of Management Journal, Vol. 33, No.4, pp. 692-724 http://www.jstor.org/pss/256287
23. Kesner, I, P. and Sebora, T, C. (1994), Executive Succession: Past, Present and Future. Journal of management, Vol. 20, No. 2 http://jom.sagepub.com/content/20/2/327.htm
24. Kittredge, A. (2010). Predicting Work and Organizational Engagement with Work and Personal Factors. Unpublished work.http://scholarworks.sjsu.edu/etd_theses/3771
25. Levine, S.R. Crom, M. A. (1993). Teaming Up for Tomorrow. The Leader In You. Dale Carnegie & Association, Inc. pp. 103-105. ISBN: 0-671-79809-X

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

IMPACT OF DEMONETIZATION ON BANKING OPERATIONS IN INDIA

[1] KINNERA VENKATESHWARLU, [2]SYAMALA RAJINI
[1] Assistant Professor of Commerce & Business Management Chaitanya PG College (Autonomous), Hanamkonda
[2] Lecturer in Commerce Padmavathi Degree College, Warangal

Abstract: *Demonetization is the act of banning or taking back of a currency unit of its status as legal tender. It is a radical monetary step in which a currency unit's status as a legal tender is declared invalid. On November 8 evening, Prime Minister Modi, in his televised address to the nation, made Rs 500 and Rs 1000 notes invalid, saying that it was aimed at curbing the "disease" of corruption and black money which have taken deep root. Demonetization with the support of the country's citizens has led to various measures taken by the Government and RBI to propel Indian economy to a cashless or less cash economy. Demonetization can be said as a 'Surgical Strike' on Black Money, Terrorism, Fake Currency, Unorganized trading, Real Estate, Share market etc. After demonetization only Agriculture sector shows some positive improvement. Manufacturing and service sector both were crashed down and these will affect the whole Indian market further also. In the short term it will be a logistical nightmare for RBI to manage the cash replacement in banks and smooth functioning of the banking system. Its effect on Banking Sector is significant as Bank is a center for channeling the legal tender money to all needs of the society. The biggest beneficiaries of demonetization are Banks. It made the banks to accept the deposits without any cost of promotion and drastically increased liquidity position of the banks. This paper presents the impact of the demonetization on banking operations and on economy. It also focuses on issues and challenges of demonetization.*

Key Words*: RBI, Black Money, Terrorism*

1. INTRODUCTION:

With effect from 8th Nov. 2016 Tuesday Midnight PM Shri Narendra Modi Ji Banned the Currency notes of 500 and 1000. Demonetization is a generations' memorable experience and is going to be one of the economic events of our time. It is a strict decision of banning regular 500 and 1000 rupee notes from circulation which is a result of finding 1.25 lakh crores black money. Within 3 days of that striking decision 35000 crores deposited in banks and approximate 1500 Crore Black Money were destroyed. Its impact is felt by every Indian citizen. Its effect will be a telling one because nearly 86 per cent of currency value in circulation was withdrawn without replacing bulk of it. As a result of the withdrawal of Rs 500 and Rs 1000 notes, there occurred huge gap in the currency composition as after Rs 100; Rs 2000 is the only denomination. Absence of intermediate denominations like Rs 500 and Rs 1000 will reduce the utility of Rs 2000. Effectively, this will make Rs 2000 less useful as a transaction currency though it can be a store value denomination. Demonetization has disturbed the bank operations and made the employees to work under unconditional stress in extended working hours of a day. Most of the banks were not able to discharge other banking services while exchanging the banned currency notes.

1.1. OBJECTIVES OF THE STUDY:

The following are the objectives of the study:

- To study the reasons behind the demonetization;
- To study the impact of demonetization on banking operations and on economy.
- To workout the impact of digital transactions.
- To present the issues and challenges of demonetization.

2. RESEARCH METHODOLOGY:

The present study is based on secondary data. The sources of data include the facts released by Reserve Bank of India (RBI), Exchange, Central statistics office India and Different banks websites and Internet.

2.1. REASONS BEHIND DEMONETIZATION:

The following are the main reasons behind Demonetization:

- Black Market Economy: A recent study had pegged India's black market economy at over Rs 30 lakh crore or about 20 % of total GDP. This is even bigger than the GDP of countries like Thailand and Argentina. So now after this Decision black money holders are left with just two options – either route this money through banks, declaring it to be their income or burn the stashed file.
- Terrorism: Terrorism is a frightening thing. Enemies from across the border have run their operations using fake currency notes. This has been going on for years.
- Economic Stability:The Major impact of this decision is on the economy because it gives highly positive impact on the economic Stability in near future.
- Unorganized Trading:Prices hike in Real estate sectors is mainly because of the involvement of black money, but after taking this decision the prices of property will surely come down to their real value. Unorganized dealing in share market will also be eliminated after this decision and this will gain positive result in the economic condition of the country.
- Less Cash Economy: It is not possible to make India Cash-Less economy, but for the development and making transparency in the economy use of less Cash is possible.

2.2. IMPACT OF DEMONETIZATION ON DIFFERENT SEGMENTS OF ECONOMY:

Agricultural growth in India contracted 0.2 per cent in 2014-15 and grew not more than 1.2 per cent in 2015-16, largely because of back-to-back droughts. It was expected to grow at 4 per cent in this year as per **CRISIL** Report, but due to Demonetization this forecast is proven wrong because Farmers are running out of Cash to buy Seeds, Fertilizer, Equipments, and Wages payment to workers and Commission to Agents etc. Because of Cash shortage daily supply transport system has also suffered which was result in 25 to 50 per cent reduction in sales. The following are the main reasons;

2. Farmers are not educated and aware about how to work on E-Payment System.
3. In most of the Villages Proper Banking system is not Developed yet and Villagers are need to go to the cities for the same because of that Farmer's most of the time is engaged in exchanging the old notes in Banks.

Most of the Brands and Retailers Report 40 to 60 per cent drop in sales after Demonetization in first few weeks but from December onwards this drop is slightly decrease, but still the impact of this decision has affect the industry in 2017 also for at least 3 to 4 months. Demonetization smashed the real estate market and it will result in 50 per cent drop down and it will remain for further 5 to 6 months. Consumer expenditures also affected by that decision now only those products are purchased which are necessary for daily consumption and mostly the small traders like kirana store, small bodies, thelawala etc. they all have done their daily transactions only in cash and because consumer has less cash in his pockets the daily sells of these traders drop down by 20 to 30 per cent.

2.3. IMPACT OF DEMONETIZATION ON BANK OPERATIONS:

Demonetization has brought plethora of challenges in additions to the challenges which are already facing by Banks. The influences were short-term and long-term views. In short-term, it disrupted the banks and stressed strongly to carry out bank operations and in long run it helped the banks to pool the deposits without incurring of any cost. Here are four influences of demonetization on Banks.

- Increase in Deposits: demonetization has increased the deposits in Banks. Unaccounted money in the form of Rs.500 and Rs.1000 were flowing to the Banks and the sizes of deposits have been increased. It helped the banks to grab the deposits and increase their deposits.
- Fall in cost of Funds: Over the past few months, the deposits are increased. It led the banks to keep a major part of deposits in the form of cash deposits. PSU Banks have a lion share (over 70%) of the deposits and biggest gainers of the rise in deposits, leading to lower cost of funds.
- Demand for Government Bonds: After sharp rise in deposits on post demonetization, banks started lending such surplus deposits to the RBI under the reverse repo options. PSU Banks, particularly, deployed excess funds in government bonds. The return on bond investment is likely to add 15 to 20 per cent increase in the earnings of banks.
- Sagginess in Lending: lending growth of the banks is considerably less even after demonetization and its impact of growth in the amount of public deposit. Banks have tried to lend the money to the needy group by reducing their interest rates, but it shrunk over the last few months.

3. RESULTS OF POST DEMONETIZATION ON BANK OPERATIONS:

There are positive and negative results of Post Demonetization on Bank operations. Both have influenced Banks' liquidity and profitability and employees too. The following are positive results of demonetization.

- Free flow of deposits: Banks have gained deposits substantially after demonetization which they can invest for improving their liquidity and profitability.
- Improved digital Interface: Improvement in digital tools and equipment to execute bank transactions has

avoided cash loss for various reasons like theft, dacoits and misappropriations.
- People's surplus at Bank: cash is an idle asset which does not yield any income unless kept in a bank. So, demonetization made the people to keep their surplus money in a bank to earn some sort of income.
- Increased number of Customers: Demonetization has influenced public to come and execute transactions with banks. It made even a non income group people to visit bank and have an account. It increased number of account holders in banks while increasing deposit corpus.

Similarly, Demonetization has brought some operational issues to Banks. It disturbed Banks' Employees, Operational Costs and Profitability. The following are negative influences of Demonetization.

- Cash Reserve Requirement: 100% CRR on incremental deposits meant that banks did not earn any interest on Rs. 3 Lakh crore of deposits for nearly a fortnight.
- Waived off ATM Charges: ATM charges were waived off during banned note exchange and banks incurred a loss of Rs. 20 in every transaction.
- Waived off Merchant Discount Rate: Banks incurred loss of 1% discount charges from merchants on using of every card transaction.
- Non Selling of Loans: Banks were focused on exchanging currency notes and they were not able to sell any loan products. This made banks to curb their lending activities.
- Reduced SMEs's Sale and influence on NPAs: During demonetization, some SME businesses had seen their sales drop by 50-80 percent and could default in their installments to banks. This led the banks to consider it as NPA and affected its level in banks.
- Stress on Employees: Bank Employees were put under pressure and overtime work environment. It depressed them and kept imbalanced life style. Few cases were found where the employees committed suicide due to work pressure.

Cash operations costs to the RBI and other commercial banks can be limited to a greater extent with the cashless economy which is possible through digital transactions. The increased use of credit/debit cards will reduce the amount of cash that people will carry and as a consequence, reduce the risk and the cost associated with that.

4. DIGITAL TRANSACTIONS:

Advantages of Digital transactions:

- Digital transactions will provide universal availability of banking services to all across the nation as there would not be any physical infrastructure needed other than digital portals of the respective financial institutions.
- Digital transactions can be performed at anytime across world through internet with no delays and queues.
- An increased use of credit cards instead of cash would primarily enable a more detailed record of all the transactions which take place in the society, allowing more transparency in business operations and money transfers.
- There will be greater efficiency in welfare programmes as money is wired directly into the accounts of recipients. Thus once money is transferred directly into a beneficiary's bank account, the entire process becomes transparent. Payments can be easily traced and collected and corruption will automatically drop.
- Since digital transactions are based on financial institutions, it lowers the instances of tax avoidance and money launderings due to the higher traceability of all transactions. At the same time, curbs generation of black money and problem of counterfeit currency.

Disadvantages of Digital transactions:

- Since, internet is a prerequisite for digital transactions, inaccessibility of internet services at emergency situations can limit the use of digital platforms for transactions.
- The biggest fear is the risk of identity theft. With the rising incidence of online fraud, the risk of hacking will grow as more people use digital platforms for transactions in the long run.
- Each payment system has its limits regarding the maximum amount in the account, the number of transactions per day and the amount of output which limits its use.
- The information about all the transactions, including the amount, time and recipient are stored in the database of the payment system which implies that the intelligence agency has an access to this information.

4.1. MEASURES FOR SAFE DIGITAL TRANSACTIONS:

- Checking bank's official website and URL before entering user ID or password or such sensitive information for online banking. Avoid using the embedded links in any e-mail to get to any web page.
- Changing password of net banking ID, mobile banking and other digital transaction platforms at least once a month.
- Installing a personal firewall to help prevent hackers from gaining unauthorized access to home/office

computer, especially if the connection is through a cable or a DSL modem.
- Never select the option on browser that stores or retains user name and password
- Avoid accessing the Internet banking channel at cyber cafes, which are prone to attacks by hackers. Also avoid locations that offer online connections through wireless networks (Wi-Fi), where privacy and security are minimal.

4.2. DEMONETIZATION-ISSUES & CHALLENGES:

Demonetization technically is a liquidity shock; a sudden stop in terms of currency availability. It creates a situation where lack of currencies jams consumption, investment, production, employment etc. In this context, the exercise may produce following short term/long term/, consumption/investment, welfare/growth impacts on Indian economy. The intensity of demonetization effects clearly depends upon the duration of the liquidity shocks. Following are the main issues and challenges.

- Demonetization is a liquidity shock that disturbs economic activities.
- Liquidity crunch means people are not able to get sufficient volume of popular denomination especially Rs 500. This currency unit is the favorable denomination in daily life. It constituted to nearly 49 per cent of the previous currency supply in terms of value.
- India risks its position of being the fastest growing largest economy consumption, income; investment etc. may reduce India's GDP growth as the liquidity impact itself may last three -four months.
- Only a small portion of black money is actually stored in the form of cash. Usually, black income is kept in the form of physical assets like gold, land, buildings etc. Hence the amount of black money countered by demonetization depends upon the amount of black money held in the form of cash and it will be smaller than expected. But more than anything else, demonetization has a big propaganda effect. People are now much convinced about the need to fight black income. such a nationwide awareness and urge will encourage government to come out with even strong measures.

5. CONCLUSION:

If the money disappears the economy will not benefit. On the other hand if the money finds its way in the economy it could have a meaningful impact. However experiences from different countries shows that the move was one of the series that failed to fix a debt-burdened and inflation-ridden economy. The present study shows the impact of Demonetization on Indian economy. GDP of Country slightly decreases as compare with the previous year but it will be same in future also. This intervention is a one-time draining of this current stock of black money but unless the root causes of corruption are removed, corruption will continue. It is sort of like a dialysis, more of a short term cleaning up than a solution of the problem. It needs to be repeated periodically to remove Black money and Corruption. Banks are major institutions affected by demonetization. Banned denominations were ploughed back and allowed the citizens to exchange with the banks. While exchanging, it disturbed temporarily and influenced its regular operations. Though it affected badly to major extent of bank operations, it helped the economy to find growth and development of the country through financial institutions like Banks.

REFERENCES:

1. Ashworth, David (Nov. 2016), 'Reasons behind Demonetization', www.marketrealist.com
2. Dr. M. Prabhu, Girish V, Mamatha R "Demonetization and its effect on Banking Sector" IOSR Journal of Business and Management (IOSR-JBM) e-ISSN: 2278-487X, p-ISSN: 2319-7668 (April, 2017) PP 20-22.
3. Dr. Pratap Singh and Virender Singh (2016). Impact of Demonetization on Indian Economy. International Journal of Science Technology and Management. ISSN (O) 2394-1537. ISSN (P) 2394-1529. Vol. No.5, Issue No. 12, December 2016.
4. E.Kamatchi Muthulakshmi (2016), Impacts of Demonetization on Indian Economy-Issues and Challenges, IOSR Journal of Humanities and Social Science, PP34-38.
5. Heng, How, Koon, senior FX investment strategist at Credit Suisse, www.bloomberg.com
6. Kapoor, Mahimam, (2016), Impact of Demonetization on Banking Sector, www.bloombergquint.com
7. Malik, Anghshu, (Jan. 2017), Impact of Demonetization on FMCG Products, Chief Operating Officer at Adani Wilmar Ltd., www.livemint.com
8. Nithin Kumar A and Sharmila (2016). Demonetization and Its Impact on Indian Economy. International Journal of Humanities, Arts, Medicine and Science. ISSN (P):2348-0521. ISSN (E): 2454-4728. Vol. 4. Issue12, Dec 2016. Pp 23-26.
9. Partap Singh. 2013.Depreciation of Rupee in Indian Economy: An Analysis, "International Journal of Innovations in Engineering and Technology (IJIET)", Vol. 2 Issue 4 August 2013 332, (ISSN: 2319 – 1058)
10. Partap Singh. 2013. Gold Prices in India: Study of Trends and Patterns, "International Journal of Innovations in Engineering and Technology (IJIET)", Vol. 2 Issue 4 August 2013 332, (ISSN: 2319 – 1058)
11. Partap Singh. 2010. Impact of Financial crisis on Indian Economy "Southern Economist" Vol. 49, no. 2.

May.15, 2010; (ISSN: 0038-4046).
12. Ph.D. Research Bureau (2016), Impact of Demonetization on Economy, Businesses and People –Suggestive measures for Demonetization, Ph.D Chamber of Commerce and Industry.
13. R.Rajendra Kumar. Demonetization and its effect on life of common people in India. Indian Journal of Economics and Development. Vol. 4 (11), November 2016.
14. S Vijay Kumar and T Shiva Kumar (2016). Demonetization and Complete Financial Inclusion. International Journal of Management Research & Review. ISSN: 2249-7196. Volume 6. Issue 12.
15. Shaktikanta Das, Economic Affairs Secretary, 'Move was in the pipeline for months', The Hindu, 9 Nov 2016
16. Shikha Sharma, Axis Bank CEO and MD, 'Financial inclusion has received a boost', The Hindu, 20 Nov 2016.

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management, Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

PUBLIC V/S PRIVATE SECTORS BANK SCHEMES FOR WOMEN EMPOWERMENT IN INDIA

N. GEETHA
Assistant Professor, Sree Chaitanya College of Engineering, Karimnagar, Telangana , India

Abstract: *:Banking sector has a very important place in our Indian economy. There is a need to think big and scale up rapidly in each and every area, be it education, infrastructure, industry, financial services or equality of both genders. Education and economic participation is the key to empowerment of women. Women empowerment has five components – the woman's sense of self worth, their right to make choices, to have access to opportunities and resources, the right to control their own lives and ability to influence the direction of social change. Whereas the Government of India, as always, is bringing up new schemes for benefitting the women and the girl-child, trying to ensure a safe birth, education and livelihood for Indian women, Indian banks are nowhere lagging behind.* ***The Bhartiya Mahila Bank*** *was set up specially to address the needs of women customers. Today all banks in India have schemes to finance women borrowers at lower rates, and specialized products targeting this upcoming segment. The explosive growth and expansion in the Indian banking sector in the recent past has opened up a plethora of opportunities for women in the banking sector. Today while women make up about 17% of the total workforce in the state-run banks, they make up almost 1/3rd of the workforce in the private and foreign banks. In state run banks while 26% employees in the clerical cadre are women, they make up only 11% in the officers (supervisory) cadre. The growth in the banking sector has created new windows of opportunity for women to find employment in the banking sector. Indian women are placed at the top most positions of many major banks and they are proving themselves to be competitive. They are involved in taking major decisions; they are introducing innovative ideas and contributing something towards the development of the economy. The leadership quality, managerial ability and the administrative skills are put together to make things happen. The Department of Financial services, Ministry of Finance, Government of India, in late 2014 issued guidelines to all public sector banks to give proper considerations to the special problems faced by women employees vis-a-vis their transfer policy. Some banks have also come up with special child care and sabbatical leaves for women employees in addition to the paid maternity leaves, fertility and adoption leaves. The present research paper is an effort to make a comparative study between public and private sector banks incorporated various schemes for women empowerment and know the problems & how to overcome in banking sectors.*

Keywords*: Public sector banks, Private sector banks, Women empowerment, Banking Schemes & Women*

1. INTRODUCTION:

In Vedic times women occupied the highest place in society. They were given all opportunities to develop themselves, socially, intellectually and morally. They were given thorough education. Similarly there is a positive change in the present society, which is focusing on women empowerment. The progress of any country is intimately linked to its ability to develop and use its human resource effectively. This is particularly true in a developing country like India. Women, as a significant part of this human resource pool, play a vital role in the economic, social and political development of India. Nationalization of the Indian Banking Sector in 1969 served as the first major step to reduce gender discrimination against women in banking sector and that provided opportunity for women empowerment. The pattern of Indian women's employment has changed significantly since the 1970's. Many major Indian banks are hiring highly qualified young Indian women to their administrative levels and they are showing remarkable growth over the years Women empowerment has been a vital issue that has come into the limelight in past few years. Despite numerous government schemes and policy decision women in India still remain deprived of equal opportunities in terms of education employment and still development. Although, there have been significant improvements in this field especially in urban centres, women in rural areas are still underprivileged from any such advantages. Many social sciences have derived that economic independence plays a vital role in ensuring that women get equal opportunities in the society and thereby enjoy and benefit from their other rights. This makes women empowerment as much of an economic issues as a social one.

1.1. BANKS & WOMEN EMPOWERMENT:

Banks are one of the primary pillars of Indian economy and therefore are an ideal agent to play a pivotal role as far as women empowerment is concerned. Public sector banks, which have their presence even in the remote corners of the country, have traditionally been first and foremost support structure for women as far as their financial needs are concerned. Be it schemes related to educational financing as a very early age or financial assistance for setting up livelihood or stable source of income in youth; banks have always played a very important role in enhancing financial inclusion of women in the Indian economy. All major public sector banks and some private sector banks have announced women centric and women only financing opportunities at concessional interest rates and relaxed loan rules. Despite all the best efforts from the government and PSU banks, women still remained away from banks and its services due to social and cultural barriers that prevent women from access to banking services. The comparative statistics picture shows regarding women in the banking sectors, it paints a rather gloomy picture. With women holding **only 24% of total operational bank accounts** in the country and **28% of total deposit**; the participation of women in the banking sector is definitely not at an acceptable level. Especially when it comes to credit supplied **only 12% of individual bank loan accounts belonged to women** which clearly shows a disparity of access to banking services between the two genders.

1.2. BHARTIYA MAHILA BANK – A step in the right direction!:

To spur interest of women in rural areas in availing banking services, the government of India in November 2013 took a great step of setting up the public sector bank solely for women, with setting up the **Bhartiya Mahila Bank (BMB)** a new era has begun in the banking services sector. BMB will provide financial services predominantly to women and women self- help groups (SHGs) and aims to enhance participation of women in economic activity. BMB has the unique motto of **"Empowering Women, Empowering India"**; which clearly showcases the intent behind this organization. The situation is surely improving but not at a healthy rate which is required to ensure equal participation and contribution of women in the Indian economy. However the Competition Commission of India has approved the amalgamation of Bhartiya Mahila Bank into State Bank of India (SBI) in November 2016. BMB become part of SBI on 1 April 2017 catapulting the country's largest lender to among the top 50 banks in the world.

1.3. SPOTLIGHT ON WOMEN IN INDIAN BANKS:

The number of talented women with a finance background joining into the banking sector is increasing every year. Women constitute a little over 11% of the workforce in the banking industry. The Indian government appointed a committee in the year 2009, to look at human resource issues of public sector banks under the chairmanship of former Chairman and Managing Director of Bank of Baroda and Anil Khandelwal. The Khandelwal Committee made some far-reaching recommendations, some of which were accepted by banks and the government. According to the committee's report published in 2010, at that time women accounted for only 17 per cent of employees in state-run banks, of which only 2.7 per cent of women were in executive positions. "Women started joining banks only in the late 70s and mostly at clerical levels. With career progression reaching an apex, the industry is likely to have more women at the top in the years to come. And when they do come, they are not just considered women, but as leaders and role models". Not only in the higher levels that we can see had the involvement of women but also in the clerical levels also women are more attracted. Secured family life, attractive salary, favorable working conditions and the stability in work are some of the reasons that make this sector more preferable to women. According to a study by Standard Chartered Bank about women on corporate boards in India, the financial sector performs best in terms of gender diversity, nine of the eleven banks listed on BSE-100 have a woman on their board and two of these banks have a female CEO. The banking Sector in India which was male dominated till 1980's, in last three decades the gender equality became fairly poised. Women executives like Chanda Kochhar (CEO, ICICI Bank), and Naina Lal Kidwai (CEO,HSBC), Arundathi Bhattacharya,(CMD SBI), Shikha Sharma(CEO and MD, Axis Bank), Usha Ananthasubramanian (CEO, MD Punjab National Bank), are contributing a lot to the bank's growth.

1.4. STATEMENT OF THE PROBLEM:

Generally the women entrepreneurs face difficulties in getting finance which is a critical resource for venture creation. Women believe that lending practices of the Banks and Government funding agencies were too restrictive for them. They used their own personal saving to start the business. As per RBI Guidelines, 40 percent out of the total advances by commercial banks should go to the priority sectors. An attempt has been made to study the various schemes for women empowerment in public and private banks as wells the problems and how to overcome them in banking industry.

2. REVIEW OF LITERATURE:

Chandrasekaran in his study, "Impact of Bank Lending on the Economics Status of the Weaker Sections of Tamil Nadu. A Study of Scheduled Castes in Tiruvannamalai Sambuvarayar District", found that there was no significant change in the saving position of sample households. Moreover their economic conditions did not allow them to save money. Whenever they had surplus money they used it for the purchase of household assets.

Laxminadhan, in his study, "Performance of NABARD Schemes for Weaker Sections in Andra Pradesh", observed that there was a gap between the amount of loan financed to weaker sections by the commercial banks and the amount of refinance raised from NABARD. The important reasons for such a gap were poor recovery, lack of technical expertise in the area of operation, non-availability of certain inputs in time, frequent shifting of beneficiaries from one activity to another and existing policy decisions of the NABARD

Ramya K. R.1, Dr. A. Raghurama, in his study, **"**Women Participation in Indian Banking Sector: Issues and Challenges" observed that the phenomenal growth of banks has created massive employment opportunities for the educated women of our nation. It identifies the general sentiments, challenges and opportunities of women employees in the Indian Banking Industry, which is the life blood of the Indian economy. Researchers have shown that having women on boards provides genuine value addition to decision-making.

2.1. OBJECTIVES OF THE STUDY:

- To know the different schemes introduced for women empowerment in public and private banks in India.
- To identify the problems of women and different measures to overcome in banking sectors.

3. METHODOLOGY:

Research methodology is conceptual as well as descriptive .To know the different schemes introduced for women empowerment the study is focused on five public sector banks and five private sector banks. For this study data and information has been collected with the help of Books, Magazines, Newspapers, Research Articles, Research Journals, RBI Report, and Internet. The following is the list of table showing major women centric banking schemes that are aimed enabling and empowering women financially in 5 public sector banks-

Bank Name	Scheme Name	Scheme Description	Eligibility & Term Loan
Oriental Bank of Commerce	Scheme for Professional & Self-Employed Women	Provides financial assistance and long term loans for purchase of fixed assets to women	Professional & Self-employed Women. Maximum Total limit Rs.5.00 lacs including Working Capital limit of Rs.1.00 lacs and repayment Term Loan 5-7 years (EMI)
	Schemes for Beauty Parlours/ Boutiques/ Saloons and Tailoring	Financial assistance is offered or small scale business units for the purchase of tools/ equipment/ furniture & fixture, shop etc	• Proprietary concerns of women • Partnership firms, where majority partners are women • Companies, where majority of promoters shares are held by women Loan Amount up to 10 Lacs and the repayment period is 5 to 7 years
	Oriented Mahila Vikas Yojana	Need based loans are provided to women entrepreneurs	Women Entrepreneurs enterprise consisting of all individually or jointly have a share capital of not less than 51% as partners/ shareholders/ directors of a private ltd. company/members of a co-operative society. Amount of Loan is need Based and repayment Maximum up to 7 Years
Dena Bank	Dena Shakti for Women Entrepreneurs	Offers financing schemes to women entrepreneurs handing agricultural & allied business, small scale industrial, retail trade, micro credit, education and housing.	Self-employed Women This scheme will be as per the directives of RBI stipulated for various sectors under priority sector such as loans upto Rs 20.00 lakhs under retail trade Rs 20 lakhs under education and housing and Rs 50000/- under micro credit as well as Bank's specific schemes circulated to branches / offices from time to time.
Bank of India	Star Mahila Gold Loan Schemes	Offers loan facilities to working/ non working women for	**Resident Indian Women-** **Working & Non Working Women**

		purchase of Gold ornaments, preferably hallmarked, from reputed Jewellers and/or Gold coins of Bank of India.	10 times of monthly net emoluments (take home salary of self / spouse, in case of non working women) Professional : 50% of Gross Annual Income as per latest Income Tax Return Minimum Rs. 50000/- Maximum Rs.2 lacs.
Andhra Bank	Mutual Credit Guarantee Schemes for women	Offers credit facilities to women entrepreneurs upto Rs.1 Lakh without collateral security with exception of retail sectors	Professionals and Self – Employed Eligibility criteria, quantum of loan and tenure vary from scheme to scheme.
State Bank of India	Stree Shakti Package	Offers special concessions and Privileges for financing facilities to business units in which women entrepreneurs hold more than 50% of share capital	Women entrepreneurs individually or jointly have a share capital of not less than 51% as partners /shareholders/Directors of Private Limited Company/Members of Co-operative Society. Amount of loan Retail traders: Rs. 50000 to Rs.2 Lakhs Business enterprises: Rs. 50000 to Rs.2 Lakhs Professionals: Rs. 50000 to Rs.25 Lakhs SSI: Rs. 50000 to Rs.25 Lakhs

The following are the information which shows women centric banking schemes that are aimed enabling and empowering women financially in 5 private sector banks in India.

3.1. ICICI BANK:

ICICI Bank Ltd (NYSE:IBN) is a leading bank in India. It subsidiaries include India's leading private sector insurance companies and among its largest securities brokerage firms, mutual funds and private equity firms. ICICI Bank's presence currently spans 17 countries, including India. ICICI Bank launches novel women centric initiatives on International Women's Day**.** Bank announced the launch of **two** key initiatives to help its women employees overcome challenges that many of them face at certain life stages. The first initiative, **iWork@home**, is a unique programme will enable employees to work from home for a long period of time, up to a year, initially. This period is further extendable. Employees will be provided access to their required operating systems in a safe and secure manner, thereby creating a seamless office-like environment. The innovative features of this programme enable the bank to roll it out across several functions and at the same time ensure that there is no loss of productivity. To ensure that the working women do not leave the workforce, at the stage needs like maternity and child care there is a strong need for a robust support system, both at home and at work. The second initiative is meant for **women managers** with children upto 3 years of age. Managerial responsibilities at times require them to travel outside city limits, for client interactions, business reviews or training. In order to support these employees, the bank has defined a policy to provide them with the cost of travel and stay of the child and a caregiver (family member or child caretaker). This will help to focus on their work without the emotional stress of staying away from their children. These two new measures are aimed at creating an enabling environment which will help many women to pursue their careers successfully while attending to the needs of their families. ICICI Bank has also introduced a slew of new benefits for its women customers under the '**Advantage Woman Savings Account'**. These include unlimited free ATM usage at all banks, cash back subject to a maximum of Rs.750 per month on usage of Debit Card at departmental stores, or for the purpose of dining, entertainment and utilities. It also provides a 30% discount on first year locker rentals.

3.2. KOTAK MAHINDRA BANK:

Kotak Mahindra Bank Limited it environment, social and governance (ESG) practices are integral components of its business functions and are embedded in its systems and processes Limited ('Kotak'), environment, social and governance (ESG) practices are integral components of its business functions and are embedded in its systems and processes. The Bank has identified the means by which it can improve internal management systems, products and services to make a more positive impact on society and the environment. Kotak initiated the process of disclosing information on its triple bottom line performance when it published its first Business Responsibility Report (BRR).

Enhancing Women Empowerment

The agri-business division has started the business correspondent model with three microfinance institutions wherein borrowers, especially women are identified at the bottom of the economic pyramid in states such as UP and Bihar for lending up to ` 30,000 by way of micro loans. The Bank has a portfolio for **women borrowers**, which has crossed ` 100 crore. The number of women borrowers has crossed over 50,000. Under this initiative collateral free loans are provided for various income generation activities such as agriculture and allied activities, poultry farming, animal husbandry, tailoring, making of handicrafts etc. This arrangement has improved the livelihood of the women availing such credit facilities. Providing credit to women increases opportunities for them to contribute to the household income leading to more empowered women customers.

3.3. HDFC BANK:

HDFC Bank's board mandated objective to bring 10 million families (50 million people) within the banking fold and achieve financial inclusion across thousands of villages in India. HDFC Bank to help transform lives of millions of Indians living in un-banked and under-banked areas and create sustainable communities. SLI is helping women become financially independent, which in turn is making a difference to the lives of millions in rural India. "**Sustainable Livelihood Initiative (SLI)** is an endeavor by HDFC Bank to empower women in rural India and make a difference to the lives of millions of households. SLI is present in over 15,000 villages in 25 states of India. It has helped provide sustainable livelihood to over 60 lakh households, which has directly impacted over 2.5 crore people across the country. It gives women an opportunity to enhance their skills and have better access to large markets to increase business activity and augment their income.

Following are the services offered under SLI:

- Financial literacy and credit counselling
- Customized savings products
- Insurance cover
- Training & capacity building services
- Credit support
- Market linkages as per requirement to provide greater access and better market opportunity.

HDFC Bank to train 15 lakh government school teachers in 12 states across India. HDFC Bank Ltd today launched **Zero Investment Innovations for Education Initiatives (ZIIEI)** to transform education in government schools across India. As part of this initiative, the bank will train 15 lakh school teachers across 12 states and union territories of India to improve the quality of education in 6.2 lakh government schools, thereby benefitting 8.3 crore students. HDFC Ltd has launched an exclusive **loan for women** known as **'Women Power'** offering a differential rate of interest. HDFC has helped over 49 lakh customers to own their own house by providing loans of more than Rs.5, 00,000 crores in the last 37 years.

Features of 'Women Power' Home Loan:

- The rate of interest being offered is 5 bps lower than the normal home loan rate. The rates under the 'Women Power' home loan are:
    1. Home Loan/ Home Improvement/ Home Extension Loan/Refinance – 9.85% pa
    2. Plot Loan – 9.90% pa
- The home loan will depend on factors such as the women's ownership of property, whether sole or joint owner and whether first applicant or co-applicant.
- Resident as well as non-resident women are eligible to apply for HDFC's 'Women Power' Loan.

3.4. KARUR VYSYA BANK:

KVB is one of the earliest banks in the country to achieve full networking of its branches under Core Banking Solutions. It introduced a scheme for women **"Mahila Swarna Loan".** The Mahila Swarna loan is for working women for purchase of jewellery and silverware. This loan is only for women who are employees of the Central or State Government.

Features of this scheme

- This loan is an installment based loan.
- It is applicable for women between the ages of 18 and 50 years (permanently employed in Central or State Govt. Offices, or reputed institutions.
- *This loan is for the purchase of gold, diamond ornaments and silverware.*
- The minimum amount of loan is Rs.10000/- and maximum amount is Rs.1.00 lakhs
- The rate of interest charged on fully secured is 12.50% p.a and on unsecured/ partly secured is 13% p.a.
- EMI is 36 Equal Monthly Instalments.

3.5. YES BANK:

YES BANK, India's 5th largest private sector bank, to be used exclusively to lend to women-owned businesses. This project is part of the **Women Entrepreneurs Opportunity Facility (WEOF)**, the first-of-its-kind global facility dedicated to expanding access to capital for approximately 100,000 women entrepreneurs. It was launched by IFC, through its Banking on Women program, and Goldman Sachs *10,000 Women* in 2014. "Women entrepreneurs have the potential to power growth and shape the Indian economy, but the lack of access to finance is holding them back".YES Livelihood Enhancement Action Program (YES LEAP) is a unique branch-agnostic program to provide comprehensive financial services (credit, savings & micro-insurance) to Self Help Groups (SHG) through Self Help Promoting Institutions (SHPI), engaged in capacity building of the financially disadvantaged, acting as Business Correspondents (BC) for the Bank. The SHPI/ BC acts as a nodal point for the identification, facilitation and servicing of the SHG. From a small pilot in 2011, YES LEAP has reached to more than 90000 SHGs (over 12 lakh households) spread across 17 states as on March 2015. One of the highlights of YES LEAP is that all the SHGs linked with **YES BANK** are women SHGs, thus strengthening social empowerment, rural development and financial security of women.

4. PROBLEMS OF WOMEN EMPLOYEES IN INDIAN BANKING SECTOR:

The banking and insurance sectors today offer more prospects for jobs for women - both qualitatively and quantitatively. However there are some common problems faced by women managers, officers and clerical groups in banking and insurance sector, in the course of their careers. These include the burden of the dual role, sexual harassment in the workplace, the refusal of men to accept women as colleagues or seniors, and the lack of solidarity among women. A lot of women play both primary breadwinner and primary care taker role which create a tension most men do not experience when juggling work and personal responsibilities. Imbalance between work and family leads to occupational stress. Imbalance between work and family life arises due to a number of factors. Various factors are following.

4.1. MENTAL HARASSMENT:

It is an age old convention that women are less capable and inefficient in working as compared to men. The attitude which considers women unfit for certain jobs holds back women. In spite of the constitutional provisions, gender bias creates obstacles in their recruitment. In addition to this, the same attitude governs injustice of unequal salaries for the same job. The true equality has not been achieved even after 61 years of independence. Working in such conditions inevitably puts strain on women to greater extent as compared to men, thus making them less eager in their career.

4.2. SEXUAL HARASSMENT:

Today, almost all working women are prone to sexual harassment irrespective of their status, personal characteristics and the types of their employment. They face sexual harassment on way on transports, at working places, educational institutions and hospitals, at home and even in police stations when they go to file complaints. It is shocking that the law protectors are violating and outraging modesty of women. Most of the women tend to be concentrated in the poor service jobs whereas men are in an immediate supervisory position, which gives them an opportunity to exploit their subordinate women.

4.3. DISCRIMINATION AT WORKPLACE:

However, Indian women still face blatant discrimination at their workplaces. They are often deprived of promotions and growth opportunities at work places but this doesn't apply to all working Human Resource Management women. A majority of working women continue to be denied their right to equal pay, under the Equal Remuneration Act, 1976 and are underpaid in comparison to their male colleagues. This is usually the case in factories and labor -oriented industries.

4.4. NO SAFETY OF WORKING WOMEN WHILE TRAVELING:

Typically, the orthodox mindset in the Indian society makes it difficult for a working woman to balance her domestic environment with the professional life. In some families, it may not be acceptable to work after six o'clock. Those families that do accept these working hours may experience considerable anxiety every day about a woman's safety while traveling. So many issues affect a working woman because she is closely protected or watched by her family and the society.

4.5. LACK OF FAMILY SUPPORT:

Lack of proper family support is another issue that working women suffers from. At times, the family doesn't support women to leave the household work and go to office. They also resist for women working till late in office which also hampers the performance of the women and this also affects their promotion.

Insufficient Maternity Leaves: Insufficient maternity leave is another major issue that is faced by a working mother. This not only affects the performance of women employees at work, but is also detrimental to their personal lives.

Job insecurity: Unrealistic expectations, especially in the time of corporate reorganizations, which sometimes puts unhealthy and unreasonable pressures on the employee, can be a tremendous source of stress and suffering. Increased workload extremely long work hours and intense pressures to perform at peak levels all the time for the same pay, can actually leave an employee physically and emotionally drained. Excessive travel and too much time away from family also contribute to an employee's stressors.

Workplace Adjustment: Adjusting to the workplace culture, whether in a new company or not, can be intensely stressful. Making oneself adapt to the various aspects of workplace culture such as communication patterns of the boss as well as the co-workers, can be lesson of life. Maladjustments to workplace cultures may lead to subtle conflicts with colleagues or even with superiors. In many cases office politics or gossips can be major stress inducers.

Other reasons: It include Personal demographics like age, level of education, marital status, number of children, personal income and number of jobs currently had where you work for pay and Work situation characteristics like job tenure, size of employing organization, hours worked per week.

5. STRATEGIES TO OVERCOME FROM THE PROBLEMS:

Employers who want to help women advance to the top must do more to make allowances for life outside of work. Women in banking who require flexible working conditions need to feel emotionally empowered to take full advantage of them. One outcome of their work has been the charter of demands they submitted to their union confederation. These included:

- Infrastructural facilities such as crèches and day care centres.
- Special leave with a lien on service, for up to say five years, to meet certain contingencies specific to women, extending this facility to men also whenever required
- Family pension and voluntary retirement for men and women after twenty years of service.
- Provision of hostels for working women, accommodation for divorced, separated and widowed women with children.
- Provision for flexi-hours and part-time employment in suitable cases
- Provision for a woman with a child less than three years old to work for fewer hours and receive proportionate pay.

Similarly the All India Bank Employees Association (AIBEA) initiated a women's wing of the union to take up issues specially affecting women. The Reserve Bank of India has a Women's Forum for the same purpose.

6. CONCLUSION:

After all the different schemes are introduced by both public & private sector banks but it is observed to be how well the schemes are organized, implemented and beneficiary to the scheme holders(women). From the analysis it is known that more schemes are attracted towards public banks rather than private banks the reason is people are ration and they believe that public sector banks is highly secured, easy availability of loan, mobility, trust and pressure under government interventions. No doubt Public sector banks are lenders for all but they lag in service and commitment. That's why many of these banks rank lower than many private sector banks. Now a day’s women workers are improved and promote in their workplace and in technological work. Trade Union should try to improve the conditions for woman’s workers in public and especially in private sector banks and help the woman for achieve higher post which promotes to gain high quality in every field. . Traditionally people think that men should only work and gain money and women should work as house hold, but the financial demands on the Indian families. So the Government should put strict rules for the various types of crimes and put more inspection to control gender disparity.

REFERENCES:

1. K. Manoharan Nair and B.Girija, micro finance – “The New development paradigm for poverty Eradication and women’s employment” – Kurukshetra vol 53, No.6, April 2005, P 19.
2. T. Chandrasekaran, “Impact of Bank lending on the Economic Status of the Weaker Section of Tamil Nadu – A Study of Schedule Castes in Tiruvannamalai, Sambuvarayar District,” **Finance India,** Vol.XV No.1 March 2001, p.189-194.
3. K. Laxminadhan, “Performance of NABARD schemes for Weaker Sections in Andra Pradesh”, **Finance India,** Vol. XV No.3, September 2001, pp.973-979.
4. Kamala Srinivasan (1991), “Women in Banking and Professional Struggles – Women and Development”, Discovery, Vol. 1, New Delhi.rce
5. Mankidy, A. (1986), “Women Employees: A New Dimension to Human Resource Management in Banks”, Indian Banks' Association, Special issue
6. Parvathy. V.K. (2013), “Role of Indian women in banking sector”, March 4, the Indian/role-of-women-in-the-banking-industry/fusion.http;//Indianfusion.aglasem.com/42173.

ISSN: 2456-6683
Impact Factor: 3.449
Special Issue - 13, Apr - 2018
Publication Date: 22/04/2018

ROLE OF SELF-SERVICE TECHNOLOGIES IN BANKING – A THEORETICAL PERSPECTIVE

R. Ramesh
Assistant Professor, Dept., of MBA,
Balaji Institute of Technology & Science, Laknepally, Narsampet

Abstract: *India evolved into an emerging economy based on its economic growth for the last two decades and its demographic dividend. India resiliently weathered the global financial crisis by growing at an average rate of 7.1% during 20016-2017. Economic, social and demographic metamorphoses dramatically altered the competitive landscape of Indian businesses. The banking sector which was critical for bridging the large rural-urban divide and achieving India's financial inclusion goals, also transformed significantly. Yet even though income levels were rising and 81% of households saved, 36% kept their savings at home as cash and about 48% of urban and 62% of rural Indians did not even have a bank account. Self service technologies in banking (SSTB) refers to automated banking services that customer avail in self service mode using various electronic banking channels, without any interaction with bank employees. The present paper focus on the role of Emerging technologies in changing the banking industry from paper based banks to "digitized and networked banking services", also deals in the important role of technology in decreasing the fraud, increasing the customer satisfaction and ease of services etc.,*

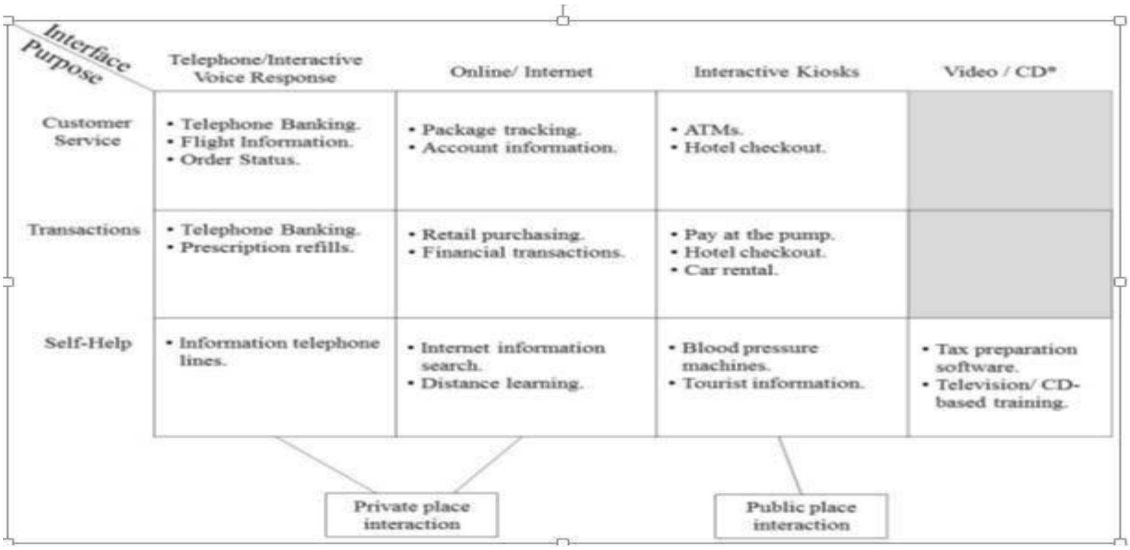
Key Terms*: Technology, Automation, Customer Loyalty, Self Service Technologies in Banking (SSTB).*

1. INTRODUCTION:

Self-service technology is defined as "*technological interfaces that enable customers to produce a service independent of direct service employee involvement*", technological interface that aid users generating service without direct involvement from the service company employee these technologies allow customers to withdraw funds, transfer funds anytime, anywhere they want and accessibility has been extended through technological development as it allows customers to do business from their home and office. It makes the banking activities and transaction simpler to understand while reducing the waiting time of the customer; no long queue standing is required.

1.1.What is SSTB (Self Service Technology In Banking)?

SSTBs are technological support or interfaces through which customers can access the services without the help of the service providers or service employees. One of the most familiar examples of SST is using ATM (Automated Teller Machine) for various bank transactions.



Types of SSTBs on base of interface in rural India the penetration of SSTB in service sector is limited to internet banking, railway ticket reservation and accessing some Government's services through mobile phones.

1.2. TECHNOLOGY READINESS & DIGITAL DIVIDE IN INDIA:

Technology readiness has an impact on adopting technologies. Adoption of SST needs consumer's involvement, therefore the perceived benefit for using SST as well as the attitude of consumers towards it plays a major role in its adoption. Consumers face several psychological barriers that paralyze their desire for adoption of new innovation. These may be perceived risk, changes in current practices and cultural barriers. Many of the Indian consumers like to interact with people while getting services, whether it is withdrawing money from bank, shopping in a store or checking in airport physically. Apart from personal factors, technology adoption is also affected by the technological infrastructure of the country in terms of electricity, IT penetration, teledensity and internet industry. Tremendous growth of information technology and telecommunication has fuelled the gap between the privileged and underprivileged section of the society in India. According to a study in India, some states like Maharashtra, Karnataka, Tamil Nadu, Andhra Pradesh and Telangana in India are in advantageous position in terms of digitalisation than Bihar and Uttar Pradesh. Within a state also the disparity is much wider between urban and rural population, within urban between educated and uneducated populace and even within educated between rich and poor section of the society.

2. BENEFITS OF SST:

- Self-service technology (SST) adoption has been cited by businesses as a critical element in controlling costs and improving customer experience. SST service quality can be measured by examining many dimensions including functionality, enjoyment, security, assurance, design, customization and convenience
- Helpful in determining a set of technology-based banking service quality (TBBSQUAL) dimensions.
- To understand the customer behavioral intentions (CBI). M-Banking, SMS banking, Wireless Application Protocol (WAP) Banking, Mobile Banking Service over USSD (Unstructured Supplementary Service Data), KYC.

2.1. TECHNOLOGY ENABLED PROJECTS :

- Computerized railway reservation system
- ATM & Phone banking
- E-choupal
- Internet Saathis
- Akashganga
- Akshaya e-centres
- Bhoomi
- Mobile Apps
- **E-Lobby:**

3. LITERATURE REVIEW

Global research on banking SSTs provided customization, flexibility, improved service recovery (Bitner et al 2000), and thereby enhanced customer equity, satisfaction, loyalty, and service quality perceptions (Parasuraman and Grewal2000, Rust and Kannan 2003). SSTs could also fail or be poorly designed (Bitner 2001). The Technology Acceptance Model (TAM) (David 1989) and the Technology Readiness Index (TRI) (Parasuraman 2000) helped understand SST adoption. In banking, SST service quality dimensions identified were customer service, technology security/information quality, technology convenience, technology usage ease and reliability (Ganguli and Roy 2011). However, differences existed between different types of banking SSTs. For example, in studying predictors of attitudes towards SSTs, ease of use was found to be important for ATM but not for Internet or telebanking; risk was important for online banking but not for telebanking or ATM; usefulness was important for ATMs and telebanking but not for online banking (Curran and Meuter 2005). Studies in Austria (Grabner-Krauter and Faullant 2008) and China (Zhou et al 2010) found that attitudes towards Internet banking were influenced more by trust and risk perceptions, than ease of use. In New Zealand, SST adoption was found to depend on time and place utility while preference for human interface was a deterrent to adoption (Marr and Prendergast 2003). Size and reputation of bank was important for assuring online banking customers but not in the absence of cues such as good service at the branch (Yap et al 2010).In Finland some deterrents identified for mobile banking were usage, value, risk, tradition and image (Laukkanen and Kiviniemi2010). Durkin (2004) identified different decision styles of consumers in Sweden, UK and USA that influenced adoption of Internet banking. A study in China identified consumer clusters based on TRI but noted the need for cross-country research for incorporating the role of culture and values on technology adoption (Elliott and Meng 2009, Lee et al 2007). Thus banking SST research was ongoing globally but the impact of social factors and culture remained relatively unexamined. Self-service as a model and a market trend has gained significant momentum in the last decade across a variety of service industries, as consumers increasingly accept and often prefer self-service to assisted service (Kasavana 2008). Berry and Lampo (2000) stated that ―self-service can enhance the service‘s value for customers. By assuming the producer role, customers move from a reactive to a proactive status and often can gain control over the timing and speed of service delivery. Technology has undoubtedly altered the landscape of service industry by changing the ways of consumer interaction as well the way of service delivery provided by organizations (Meuter et al 2005).

3.2. OBJETIVES OF THE STUDY:

The objectives of this paper to examine

- The role of Self Service Technology (SST) in making ease of banking operations and business.
- How Technology will enable bankers to overcome the frauds and out-of-the-box thinking to create and deploy innovative SST technologies for extending banking services to areas and socio-economic classes.
- To know the attitudes and beliefs of costumers about technology in general, and their propensity to adopt specific banking SSTs.

4. RESEARCH METHODOLOGY:

The information is collected through various secondary sources such as Journals, News Papers, Magazines, RBI reports and other literature resources. The data thus collected is validated and analyzed through relevant tools.

4.1. CUSTOMER SATISFACTION:

Customer satisfaction is a function of customer expectation level and service quality level provided by the organization. Technology plays a pivotal role in giving satisfaction to the customers because it fills the gap between the expected and perceived service quality. Technology also delivers the same kind of services to all the customers irrespective of time and place and without human biasness since they do not suffer from any fatigue, forgetfulness and stress. Customer satisfaction is an ambiguous and abstract concept because the actual manifestation of the state of satisfaction will vary from person to person, product to product and service to service. The state of satisfaction depends on a number of factors which consolidate as psychological, economic and physical factors. The quality of service is one of the major determinants of the customer. Ingrid (2014) interpreted customer satisfaction as a feeling which results from a process of evaluating what was received against that expected, the fulfillment of needs and that customers with little expectation are more satisfied.

4.1. SELF-SERVICE TECHNOLOGY AND CUSTOMER SATISFACTION:

The front-line employees influence consumers' perceptions of the service encounter "many times … personal interaction is the service from the customer's point of view". Personal interactions have been identified as dominant contributors to consumer satisfaction and consumer commitment it is important to understand the impact SST. The challenging environment in the financial service market has resulted to more pressure on banks to develop and utilize alternative delivery channels with a view of attracting more customers, improving customer perception and encouraging loyalty (Bauer, 2015, Lee and Lin, 2016). A more developed service in Daniel (2014)'s view is one that provides customers with an opportunity to gain access to their accounts and execute transactions. When customers of retail banking avail the services through these SSTs, they get more benefits in terms of time, money, less physical efforts besides 24 hours, seven days 7 access to banking.

4.2. DIGITAL LENDING:

Digital lending venture is the success secrets for the new-age bankers, although in its nascent stages, Peer-to-peer (P2P) lending, also known as digital lending has been making waves in financial circles. An established industry in other parts of the globe including China, USA and India. In India HDFC Bank has introduced 3-minute digital loans, ICICI Bank has tied up with Paytm to enter digital lending business; State Bank of India (SBI) has funded Lending Kart, a digital lending startup. It surely promises rapid growth, it is not free of challenges. Being a new sector, it will have its own share of uncertainties and growth pains and there will soon be competition as several new players enter the field. However, in addition to the common business challenges, the entrants in the fledgling sector will also have three serious technology-specific challenges to overcome—Velocity, Quality and User Experience.

4.3. CONVENIENCE:

A primary reason that customers choose self-service is the belief that it will provide more convenience — which often means the customer chooses how and when the interaction takes place. It is noted that the convenience of a self-service technology significantly affected the accuracy of a transaction; managers, on the other hand, rated the influence of convenience as significantly less important to accuracy. Both the virtual and the physical convenience of a self-service technology play a major role in the customer's comfort and confidence. If customers can choose a *convenient time and place to use a smartphone or online app, the experience will be less distracting and more accurate.*

4.4. TRANSACTION SPEED

The area where customers differed was the importance of speed in the transaction. Speed of transaction had the strongest influence on satisfaction for customers These areas have a tremendous impact on the implementation of a self-service technology

Bribery and corruption	Cybercrime	Multiple funding	Counterfeit cheques
Terrorist Financing	Data Security	Identity theft	Tunnelling
Money Laundering	Loan loss	Internet banking frauds	Absence of collaterals
Tax Evasion	Fraudulent documentation	Incorrect sanctioning	Mobile Banking Risks

TABLE 1: Types of Frauds Commonly Prevalent in the Indian Banking Industry

4.5. ROLE OF SELF SERVICE TECHNOLOGY IN DEALING WITH FRAUD:

Fraud is a worldwide phenomenon that affects all continents and all sectors of the economy. As per RBI, fraud can be "loosely" described as "any behavior by which one person intends to gain a dishonest advantage over another." Fraud encompasses a wide - range of illicit practices and illegal acts involving intentional deception or misrepresentation. The Institute of Internal Auditors' "International Professional Practices Framework (IPPF)" (2009) defines fraud as: "Any illegal act characterized by deceit, concealment, or violation of trust. There has been a 324 per cent increase in the money involved in online fraud cases in three years despite a 46 per cent decline in the number of cases, according to the report of ASSOCHAM. around 65 per cent of the total cases reported by banks were technology-related frauds (committed through/at an internet banking channel, ATMs and other payment channels like credit/debit/prepaid cards), whereas advance-related frauds accounted for a major proportion (64 per cent) of the total amount involved in fraud.


THE BANK 'SAFE'

Bank	Number of Cases Involving Bank Officials (2015-17)
State Bank of India	1,538
Indian Overseas bank	449
Central Bank	406
Union Bank	214
Punjab National Bank	184

Fraud cases involving private and public sector banks (2013-2017): 17,504
Amount of money involved in these cases: Rs 66,066 crore
Number of cases which involved bank officials: 2,084

Figure 1: No of frauds registered with RBI from 2015-17
Source: RBI Reports

There is no simple way to squash fraud, but by implementing the right mix of technologies and prevention techniques, treasury executives can greatly reduce their organization's risk. As Accenture's Santoro puts it, "A solid portfolio of solutions with multiple layers of protection and controls can go a long way toward providing the necessary protection".

4.6.WAYS TO COMBAT BANK FRAUDS:

"Fraudsters are devising new ways to exploit loopholes in technology systems and processes. In the case of frauds involving lower amounts, they employ hostile software programs or malware attacks, phishing, SMSishing and whaling (phishing targeting high net worth individuals) apart from stealing confidential data.

1. Adopt appropriate technologies
2. Beef up your internal controls
3. Screen job applicants carefully

4. Educate your workforce
5. Prosecute thieves

5. EASE OF SERVICES:

Improvements in techs have permitted service operators to slot in different techs into the delivery of their offerings. Rising awareness for active security systems and advanced safety in the financial payments are anticipated to add up impulse development to the market of self-service technology. Biometric safety services comprising voice recognition and fingerprint recognition has assisted users to do their financial payments safely. According to the ZMR (Zion Market Research) Market Data, Global Self Service Technology Market will reach $37.75 Billion with 15.8% annual increase by 2021.

- ATM sector ruled the market for self-service technology with more than 70% share of overall income in 2017.
- Biometric safety service tech is hoped to thrive the requirement s of the customers.
- Kiosks sector is hoped to show impulse development in the near future owing to the appearance of digital that which are extra user-friendly. Some of the major companies included in the global market for self-service technology are NCR Corporation, Crane Merchandising Systems, Azkoyen S.A, Kiosk Information Systems, Inc, Fuji Electric Retail Systems, and Glory Ltd. amongst others

5.1.TRENDS THAT COULD INFLUENCE THE BANKING INDUSTRY IN 2018:

New initiatives by the government to boost financial inclusion and promote a cashless society have opened up windows of opportunities for bankers

- *Next-gen chatbots* – 2017 saw several major banks in India such as HDFC, ICICI, and YES Bank, amongst others, adopting chatbots for supporting customer interactions. Currently, these chatbots are said to possess the intelligence of a 2-3-year old. However, as machines do not suffer from physical or learning fatigue, the evolution of a chatbot could be best described as more exponential than linear. Chatbots to be deployed with improved quality of interactions, speed of responses, and accuracy in decision-making.
- *Machine Learning* – Banks in 2018 will start adopting new regression models powered by machine learning to deliver better offerings. The brightest data scientists will be involved in this delivery and they will be aided by insights into customer behaviour, expectations and responses. These insights will be gained by adopting big data tools and will enable banks to predict customer needs and meet them in a customised manner.
- *Blockchain* – As NITI Aayog is creating 'IndiaChain', India's largest blockchain network, to reduce fraud, speed up contract enforcement, and increase transparency, it's clear that blockchain is no more the elephant in the room that no one is willing to address. Several major players have already begun pilot projects to measure the feasibility of adopting blockchain into their ecosystems. As blockchain is virtually unhackable due to time stamps that mark a data entry in a distributed ledger, banks will explore options to leverage the power of blockchain to transform backend operations.
- *Smart workflows* – With the help of embedded AI aiding the backend operations of banks, they will be able to quickly identify bottlenecks in their operation workflows and bring in significant improvements in process efficiencies.
- *Automated personalisation* – Banks will leverage the power of fintech to personalise the offerings that users see on all their devices. Banks will change the appearance of apps based on actual usage. This will make users feel more connected with banks and it will also set the stage for efficient self-service. There will also be advancements in providing pre-filled data to users based on their previous interaction history, preferences and banking habits.
- *Open banking* – With initiatives such as Unified Payments Interface (UPI) and Aadhaar Enabled Payment System (AEPS), banking will become more 'open' in 2018. With more APIs exposed by banks, the process of carrying out payments and other banking transactions would be greatly quickened as well as simplified.
- *Physical and digital merger* – Fintech has made it possible for banks to reach customers who are data rich but credit poor. In a country like India, where so many people still don't have access to banking facilities, fintech works better by offering a '*phygital*' (a combination of physical and digital) experience. The objective here is effective self-service that enables customers to walk into a branch and make use of basic automated services. Canara Bank has successfully implemented such a system with CANDI, and more banks will follow suit in 2018 to remove the boundaries between physical and digital banking.
- *Extended digital coverage* – Until now, most digital banking solutions have been primarily targeted at retail customers. In 2018, banks will extend digital coverage to other areas such as corporate banking and SME banking and also transform their internal operations to derive the best out of digital transformation initiatives.
- *Agile architecture* – Digital solutions are here to stay and as timelines shrink, budgets tighten, and lifecycles shorten, banks will follow new architecture paradigms such as micro apps, micro services and more. These

will enable banks to introduce changes significantly faster with minimal impact on existing deployments and services.

- *Security* – Data is the new oil and with so much data being generated every second, hackers are constantly devising ways to acquire it. As most cyber security measures up till now have been reactive rather than preventive in nature, banks will now begin to adopt additional measures to ensure data security at all stages using a combination of encryption, OTPs, biometric authentication and more.

6. CONCLUSIONS:

The interface facilitates communication between human and machine is important in our daily lives as a result of the swift technology advancement. The Banking sector across world is experiencing a day to day change in the technology. Due to rapid changes in the technology in the world even India is experiencing same changes and transformation in the technology. This transformation in the technology has a great impact on the services offered in the industry. As India is moving with the in captivate of Digital India, the banking sector in India is also towards improvisation of high and advance technology offering to their customers. Digitalisation of services has kept banks on competitive edge. Internet Banking, ATM's, E-lobby, Mobile Banking, SMS Banking, Debit & Credit Cards are the part of the digital banking in India. Self-service technologies have revolutionised the way of delivering services to provide maximum benefits at marginal cost. Across globe the involvement of customers in the service process and adoption of SST in services is showing a continuous upward trend. Automated teller machine, self-service vending machines, e-commerce or m-commerce, interactive kiosks and many other technology driven services provide more fulfilling, easy and convenient services at an optimum cost. With the continuous improvement in IT infrastructure and Government's supports, the digital divide in India can be bridged and eventually the usage of SST in service sector will be adopted by masses of India. "Indians lead global consumers in demand for self-service technology" the survey report once done in urban India, would be true even for villagers living in a corner of India.

REFERENCES:

1. Internet Banking and Technology Risk Management Guidlines. (2008, june).
2. IT SEURITY ,US CERT. (2008). Retrieved from http://www.us-ert.gov/reading_room/Banking_ Securely_
3. Monitory Authority of India(2009), Internet Banking and Technology Risk Management
4. Nelson, J. A. (2005). information security risk in financial institution. world academy of Science, engineering and technology .
5. RBI reports

National Seminar (MIBS - 2018)

Modern Initiatives in Banking Sector – Strategic Perspectives

20th & 21st April, 2018 at University College of Commerce & Management, Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

BANKING FRAUDS IMPLICATIONS AND MITIGATION

T. Aditya Prasad,
Manager, ABBOPT Pvt. Limited, Hyd.
E-mail: [1]Aditya.prasad01@yahoo.co.in,

Nazia Shaik
SAP-FICO Consultant, PCS Pvt. Limited, Hyderabad.
hyd.nazia.shaik@gmail.com

Abstract: *The recent bank frauds –whether the Rs. 11,500 crore Nirav Modi scam or the Rs. 3,500 crore Rotomac Pens scam - has once again brought into focus the credibility of the Indian banking system and its vulnerable corporate governance framework. An RBI report shows 8,670 cases of loan fraud cases recorded only in the last 5 years, amounting to Rs. 66,066 crore and constituting about 86% of Non Performing Assets (NPAs). These numbers could be even higher, since they consider only loans in excess of a lakh. More than the large amounts involved, these instances impinge upon the reputation of the whole banking industry. This is of major concern, especially at a time when the thrust is on greater financial inclusion and penetration, to set the country on a high and sustainable growth path.With changing technology, frauds have, more or less, taken the shape and modalities of organised crime, deploying increasingly sophisticated methods of perpetration. Asset misappropriation, money laundering, cybercrime and accounting fraud are on the rise. Colluding with bank officials, paper forgery, use of the same collateral for obtaining multiple loans, fake know-your-customer (KYC) documents, floating new firms while hiding previous ones, fictitious sales and beefing up of transactions are some of the ways in which these frauds are being perpetrated.*

This paper tries to uncover the modus operandi of major banking frauds, while at the same time analysing the role of banking reforms in reducing the operational risk and strengthening the risk management framework of the Indian banking sector. The paper also explores various possible interventions such as the use of 'Blockchain' Technology, amongst others, in reducing instances of bank fraud.

Keywords: *Fraud, Non-performing assets, blockchain*

1. INTRODUCTION

The Indian Banking industry must surely have breathed a sigh of relief with the end of FY 2017- 2018. The year saw a string of financial scams and frauds being exposed across the country, with the Rs 11,450 crore Nirav Modi scam billed as the biggest financial fraud in Indian banking history.

The Indian banking sector has evolved and witnessed exponential growth. With the sweeping changes in the scope and magnitude of banking transactions in the past few decades, and the dynamics of real-time fund movement and transformation, the vulnerability of the system has become higher than ever before. A mounting pile of bad loans, poor accounting standards and growing evidence of lax supervision, poor corporate governance and banking fraud highlight the deep concerns at the core of India's financial system.

Although banking frauds in India have often been treated as cost of doing business, post liberalisation the frequency, complexity and cost of banking frauds have increased manifold resulting in a very serious cause of concern for the economy as a whole.

The period between 1st April 2013 and 31st December 2016 shows that all commercial banks, including private ones, lost Rs 66,066 crore to 17,504 frauds (1). In the last five years, the volume of bank fraud has increased by 19.6%. The statistic of greater concern is that close to 95% of the frauds belong to credit frauds and hardly 5% are to operational frauds. This signals a larger structural and systemic problem.

2. OBJECTIVES

In light of the above, this paper tries to discuss the following

- Basic definition of Financial fraud and its types

- Policy measures in place to prevent fraud
- Major reasons for rising instances of fraud
- Impact of fraud on the banking sector
- Blockchain Technology as a potential solution
- Other suggestions

3. FINANCIAL FRAUD, TYPES AND MODUS OPERANDI

The word "Fraud" has been defined in section 17 of the Indian Contract Act (2). "—'Fraud' means and includes any of the following acts committed by a party to a contract, or with his connivance, or by his agent, with intent to deceive another party thereto or his agent, or to induce him to enter into the contract:—"

(1) the suggestion, as a fact, of that which is not true, by one who does not believe it to be true;
(2) the active concealment of a fact by one having knowledge or belief of the fact;
(3) a promise made without any intention of performing it;
(4) any other act fitted to deceive;
(5) any such act or omission as the law specially declares to be fraudulent.

Basically, Fraud is any dishonest act or behaviour by which one person gains or intends to gain an advantage over other person. The gain may accrue to the person himself or to someone else.

Bank frauds include all forms of misappropriations, embezzlements, manipulations of negotiable instruments (cheques, drafts, hundies, bills or statements of accounts, securities etc.). Also included are misrepresentations, cheating, thefts, undue favours and irregularities. The frauds may be intentional or incidental and can be committed by

(i) the bank employees themselves
(ii) the staff members of the banks in collusion with the customers or outsiders
(iii) the customers or outsiders.

There has been a significant evolution of fraud spanning from Hawala operations, fake currency, ponsi scams, cheque forgery, tax evasion, money laundering, siphoning of money through fictitious companies, identity theft, debit/credit card frauds to collusive frauds ensued by the employees of the financial institutions. All these can be broadly classified under three categories:

i) Information and Identity related

It involves providing false documents, and/or altering or modifying a document. It can also involve approving incorrect information provided in documents deliberately. Deposit accounts in banks with lax KYC drills/ inoperative accounts are most vulnerable to fraudulent documentation. Information and identity related frauds may take the following forms:

- A person taking a loan using a fictitious details and there is a lack of a strong framework pertaining to spot verifications of address, due diligence of directors/promoters, pre-sanction surveys and identification of faulty/incomplete applications and negative/criminal records in client history.
- Fake documentation used to grant excess overdraft facility and withdraw money.
- A person may forge export documents such as airway bills, bills of lading, Export Credit Guarantee Cover and customs purged numbers/orders issued by the customs authority.
- Access rights for making entries are given to unauthorised people. Bank employees keep original Fixed Deposit (FD) receipts with themselves and hand over phony FD receipts to customers. They then revoke FDs by forging signatures.
- A person illegally obtaining personal information of valid customers and takes control of the card account. This is called Account takeover fraud.

ii) Technology related

With the current push for electronic payments, the incidence of ATM, credit/debit card and net banking-related fraud has gone up by more than 35% in the past 4 years. The extent of losses in 2017 alone touched Rs71.48 Crores (3).

There are two main categories of card frauds:

- Card-not-present (CNP) frauds: This, the most common kind of fraud, occurs when the cardholder's information is stolen and used illegally without the physical presence of the card. This kind of fraud usually occurs online, and may be the result of so-called "phishing" emails sent by fraudsters impersonating credible institutions to steal personal or financial information via a contaminated link.
- Card-present-frauds: A lesser prevalent form, it often takes the form of "skimming" – when a dishonest seller swipes a consumer's credit card into a device that stores the information.

Technology related frauds manifest in the following ways

- Hacking: Hackers obtain unauthorised access to the card management platform of banking system. Counterfeit cards are then issued for the purpose of money laundering.
- Online fraud: Card information is stolen at the time of an online transaction. Fraudsters then use the card information to make online purchases or assume an individual's identity.
- Computer viruses: With every click on the internet, a company's systems are open to the risk of being infected with nefarious software that is set up to harvest information from the company servers.
- Triangulation/site cloning: Customers enter their card details on fraudulent shopping sites. These details are then misused.
- Pharming: A technique similar to phishing, where a fraudster installs malicious code on a personal computer or server. This code then redirects clicks you make on a website to another fraudulent website without your consent or knowledge
- Vishing: Fraudsters also use the phone to solicit your personal information.
- Smishing: It uses cell phone text messages to lure consumers. Often the text will contain an URL or phone number. The phone number often has an automated voice response system.
- Whaling: It is a form of phishing, but targets only high net worth individuals

iii) ADVANCES RELATED FRAUDS

These again can be categorised under 3 heads.

➢ Cheque frauds: include frauds relating to customer's cheques, banker's cheques (drafts) or traveller's cheques. They are the most common type of frauds. Counterfeit or fake cheques are being used in a growing number of fraudulent schemes, including foreign lottery scams, cheque overpayment scams, internet auction scams and secret shopper scams.

Cheque frauds can include cheque cloning, issuance of Cheque Book under fake authority and materially altering the particulars of cheques and presenting over the counter for payment/collection.

In 2017, a pan-India cheque fraud racket headed by a man from U.S was identified. Crores of rupees were fraudulently transferred from several accounts across the country using cloned cheques (4). According to the police, the bank employees first leaked all crucial account information — from the account holders' details, signatures and stamps to blank cheque leaflets.The accused reprinted the cheques with the help of customised ink cartridges and graphic designing software, with amount and account details of those who agreed to work on commission.

➢ Diversion of funds: Diversion/Siphoning of funds takes place when funds borrowed from financial institutions are utilised for purposes unrelated to the objective of borrowing and operations of the borrower, and detrimental to the financial health of the entity or of the lender. Diversion of funds can include any one of the following occurrences:
- Use of short-term working capital funds for long-term commitments not in conformity with the terms of sanction
- Using borrowed funds for creation of assets other than those for which the loan was sanctioned
- Transferring funds to group companies
- Investment in other companies by acquiring shares without the approval of lenders
- Shortage in the usage of funds as compared to the amounts disbursed/ drawn, with the difference not being accounted for.

➢ Inflating Collaterals/ Fabricating details: These constitute the following.
- External consultants advising loan borrowers to fabricate their valuation report and inflate the amount of funds that can be borrowed.
- Phoney offerings: External vendors convincing investors to invest in companies by showing higher returns when the companies don't exist in reality.
- Ponzi scheme: A type of pyramid scheme, where money from new investors is used to provide returns to previous investors
- Concealing liabilities: Borrowers concealing obligations such as mortgage loans on other properties or newly acquired credit card debts in order to reduce risk on loan application.
- Shot gunning: Multiple loans for the same home being obtained simultaneously for a total amount greatly in excess of the actual value of the property
- Teeming and lading: In order to maintain the liquidity situation artificially, amounts received from the subsequent debtor are credited to the earlier debtor's account so that one debtor's account does not show an outstanding balance for a long time. Such a process is continued till the time the original amount misappropriated is finally replaced or till the time the cashier is caught.

- Hypothecation related frauds: These include Advance against pledge/hypothecation of securities, pledging inferior quality of goods and overvaluation of stocks. Advances, against pledged goods as security are fertile fields for frauds. Stocks or part thereof, after being pledged, are removed from the godowns without authorization.

Among the above listed types, around 65% of the total bank fraud cases are technology-related frauds (covering frauds committed through/ at an internet banking channel, ATMs and other payment channels like credit/debit/prepaid cards), whereas advance-related fraud accounted for a major proportion (67%) of the total amount involved in such frauds (5).

4. POLICY MEASURES IN PLACE

The primary responsibility for preventing frauds lies with individual banks; however, the RBI routinely advises banks about major fraud prone areas and the safeguards necessary for prevention of frauds. This is done so that banks can introduce necessary safeguards by way of appropriate procedures and internal checks. It mandates all banks to file suspected transaction reports, instructs them to follow 'Know-your Customer' (KYC), Anti- Money Laundering (AML) and Combating Financing of Terrorism (CFT) guidelines, and issues guidelines for the classification and reporting of frauds.

- The RBI initiatives on "Frauds-Classification and Reporting" (6) contain all the aspects relating to frauds and its classification. On receipt of fraud reports from banks, various aspects related to the frauds are examined and concerned banks are advised to report the case to CBI/Police/SFIO, examine staff accountability, complete proceedings against the erring staff expeditiously, take steps to recover the amount involved in this fraud, claim insurance wherever applicable and streamline the system and also procedures so that frauds do not recur.
- A Central Fraud Registry (CFR) (6) based on the Fraud Monitoring Returns, filed by the banks and the select Financial Institutions, including the updates thereof, has been made available, for which banks have been given access through user-ids and password. CFR is a web-based and searchable database. Caution Advice (CA) on frauds including attempted frauds having systemic implication are issued as and when required. Banks are advised to make full use of the CAs/CFR for timely identification, control, reporting and mitigation of fraud risk. Banks are also advised to put in place proper systems and procedure to ensure that the information available in CA/CFR is made use as a part of the credit risk governance and fraud risk management.
- Early Warning Signals (EWS) and Red Flagged Accounts (RFA) (6): A Red Flagged Account is one where a suspicion of fraudulent activity is thrown up by the presence of one or more Early Warning Signals. These signals in a loan account should immediately put the bank on alert regarding a weakness or wrong doing which may ultimately turn out to be fraudulent. A bank cannot afford to ignore such EWS but must instead use them as a trigger to launch a detailed investigation into a RFA. The tracking of EWS in loan accounts should be integrated with the credit monitoring process in the bank so that it becomes a continuous activity and also acts as a trigger for any possible credit impairment in the loan accounts, given the interplay between credit risks and fraud risks.
- Companies Act, 2013: Empowers the Serious Fraud Investigation Office (SFIO) (7) with powers to probe companies suspected of fraud. According to the act, the SFIO's report filed in a court for framing charges is to be equivalent to a police report under the Code of Criminal Procedure, 1973. It authorises the auditor to act as a whistle blower and report fraud to the central government, audit committee or the board, depending on the quantum of fraud.

The key to any anti-fraud program is to have a framework in place that will not only prevent fraud but also be able to detect fraud incidents in real time. However, the task of developing and maintaining such a robust anti-fraud program with proactive monitoring components can be daunting. But an effective fraud risk management solution can help banks manage fraud risks in a manner consistent with regulatory requirements, as well as with the entity's business needs and marketplace expectations.

5. REASONS FOR RISING BANK FRAUDS

Some of the main reasons for such rising cases of bank frauds include:

- Poor Internal control environment i.e., lack of segregation of duties, lack of physical safeguards, lack of independent checks, lack of proper authorizations, lack of proper documents and records, the overriding of existing controls, and an inadequate accounting system.
- Lack of a Risk-management framework - Around 20% of the frauds are detected only by accident (8). A risk-based approach can move fraud detection from being chance-based to being more systematic.

- Non adherence to Know Your Customer (KYC) guidelines
- Lax scrutiny and poor due-diligence in high value bank loans.
- Collusion between corporate entities and high echelon bank officials.
- Inexperienced staff, having no experience or exposure to loans/advances is posted to branches which have large advances portfolio and are compelled to process loan proposals. Bankers do not have enough patience and time to scrutinize the documents. 'Target factor' weighs heavily on them.
- Computerization has happened without adequate training to the staff. A majority of the clerical staff in banks are not computer savvy. The untrained staff do not protect their password and land themselves and the bank in trouble. In the recent PNB scam too, it is reported that the prime accused in the Bank shared the SWIFT password with the corporate. (9)
- Banks frauds are very often detected late. By the time fraud is detected the culprit moves away from the place and destroys evidence. Many frauds do not come to light as banks feel that reporting them will spoil the 'reputation of the bank'.
- Lack of robust monitoring mechanism post sanction and disbursement of facilities.
- Third party agencies involved: Big loan advance frauds are not so easy to commit and it often results because bank officials collude with borrowers and sometimes even with officials of third parties such as advocates or chartered accountants (CAs). In such cases, the third parties such as the CAs or the advocates often get away as it is nearly impossible for the banks to prove criminal intent on the part of such persons due to various reasons such as lack of clear understanding of legal matters to bankers, and lack of expertise and legal advice on this subject
- During the period of the economic boom, most PSBs competed to get a larger share of the corporate loan pile often forgetting the rules of prudence and credit assessment.
- The integration of technology into financial system is a major factor in the increasing prevalence of fraud. As new payment services, digital products, and connected devices become available, the banks have been slow to adjust their controls and detections systems. Additionally, the increasing amount of information shared on social media provides fraudsters with new access to the data that can be used to perpetrate attacks

6. IMPACT OF FRAUDS ON THE BANKING SECTOR

The effect of fraud has a chain reaction on the banking sector as a whole and its sustainability.

- The shock of frauds and subsequent regulatory action can affect the flow and cost of credit in the short run, resulting in poor credit facilities to genuine corporates/individuals.
- Funds get blocked in the process of write-off, and can't be recycled.
- Frauds undermine profits, operating efficiencies and reliability of services
- They also have severe impact on an organization's reputation. In addition to potential fines levied by regulatory bodies, it can have a negative impact on employee morale and investor confidence.
- Frauds make the banking system inefficient and narrow, which can have severe long-term economic and social costs.

According to Reserve Bank of India (RBI) guidelines, banks have to write off the entire loan amount once a fraud has been reported.(6) So, the entire $2 billion exposure of the country's second largest bank, Punjab National Bank, through Letters of Undertaking (LoU) issued in favour of Nirav Modi group firms will be booked as an NPA. Now, banks are preparing for another Rs. 8,000 crore or about $1.2 billion in bad loans, taking the total damage to about $3 billion.

Indian banking system has remained plagued with growth in NPAs during `recent years. As per estimates put out by Crisil-Assocham, the gross NPA of banks is expected to increase from Rs 8 lakh crore from a year ago to Rs 9.5 lakh crore by March 2018. This will mean that NPAs will be about 10.5% of total bank advances, in addition to Rs 11.5 lakh crore in their stressed assets. (10)

The correlation between rising level of NPAs and frauds probably indicates lack of requisite standards of corporate governance leading to more instances of high value bank loan default and possible collusion between corporate entities and high echelon bank officials.

Given the size of transactions in corporate banking and its share in NPAs (36%), it is important that banks implement a robust monitoring mechanism post sanction and disbursement of facilities, and be vigilant to early signs of stress in the borrower accounts. (11)

7. BLOCKCHAIN TECHNOLOGY – A POTENTIAL SOLUTION

Much has been talked about Bitcoin – the digital currency, in the past couple of years. However what makes bitcoin possible is its underlying ‘Blockchain’ technology. Blockchain is, quite simply, a digital, decentralized ledger that keeps a record of all transactions that take place across a peer-to-peer network.
Blockchain is a shared, distributed and encrypted database that serves as an irreversible and incorruptible public repository of information. It provides a secure way of making and recording transactions, agreements and contracts – anything that needs to be recorded and verified as having taken place.

The Blockchain architecture gives participants the ability to share a ledger that is updated, through peer-to-peer replication, every time a transaction occurs. Rather than being stored in a single database, blocks of time-stamped transactions are stored on all systems across a value chain. Significant transformation can be achieved when Blockchain’s unique ability to create secured distributed ledgers combined with features such as confidentiality, data privacy, reliability, and scalability is applied to meet the needs of regulated financial services industry.

- Blockchain opens up the possibility of real-time auditing to save effort and time, helping to move away from the traditional sampling and interviewing process used for data verification.
- Cross-border Transactions: Nostro (ours) refers to an account a domestic bank holds in a foreign bank in the foreign country’s currency. Vostro (yours) is how the foreign bank refers to that account. Such accounts are used to facilitate and simplify trade and foreign exchange transactions through reconciliation. Nostro/Vostro accounts can become stored account transactions on a Blockchain to dramatically improve transparency and efficiency through automated reconciliation of accounts. (12)
- Distributed Identity: A decentralized identity management platform would reduce the stress on the current centralized approach to storing customer information. Organizations can apply Blockchain by issuing digitally authenticated certificates that are unforgeable, time-stamped, and accessible to anyone in the world. This will reduce costs and time in identity verification.
- KYC/AML/CFT norms: AML and KYC practices have a strong potential for being adapted to the Blockchain. Currently, financial institutions must perform a labour intensive multi-step process for each new customer. KYC costs could be reduced through cross-institution client verification, and at the same time increase monitoring and analysis effectiveness. Professional services firms together with financial institutions can use digital ledgers to ensure that the clients they work with are not supporting money-laundering activities.

8. OTHER SUGGESTIONS

Apart from exploring Blockchain technology to reduce the incidence of banking fraud, other measures could include the following.

- A Risk-based transaction monitoring or surveillance process needs to be put in place. Banks may consider dynamic scoring models and related processes to trigger an alert in the case of transactions that are not normal in order to improve their preventive and detection capability. A study of customer transaction behavioral patterns, stopping irregular transactions or obtaining prior confirmation from customers for outlier transactions may be incorporated as part of the process by banks.
- Prevalence of a strong whistleblower protection law could aid in early detection of fraud, in-case of involvement of internal employees.
- Investigating and supervisory bodies like central vigilance commission (CVC) or central bureau of investigation (CBI) are already overburdened with many pending investigations and have limited resources at their disposal. A separate department should be established to handle fraud matters and bring about coordination among multiple departments and bank officials.
- Banks should be enabled to come together as a consortium not only to lend, but also to stand up to poor quality borrowers, share information and effectively present an alternate front of lenders against exploitative borrowers.
- Data Analytics and tools can be employed in the detection of fraudulent activity. Automated analysis tools could be used that identify and provide real-time transaction screening, third-party screening as well as compliance solutions. Machine learning and artificial intelligence that are good at identifying complex patterns and characteristics of cybercrime and online fraud should be deployed. Data visualisation tools can also be used to provide a visual representation of complex data patterns and outliers.
- Banks have to ensure corporate governance at the highest levels. Top management needs to set guidelines and policies for ethical practices and standard procedures to be followed throughout and set an example on zero tolerance to fraudulent activities.

- Governance in PSBs needs an overhaul and government interference in appointments should be minimized. In this context, the P.J. Nayak committee (2014) rightly noted: "Government officers and regulators may not possess the skills to appoint the top management of commercial banks. Banking is a very specialised activity, and top management needs to combine strategic foresight with a good commercial knowledge of sectors to lend to, prudent risk management and human resource skills." Therefore, the government needs to revisit the way appointments are made in PSBs.
- India will also need to build institutional capabilities to be able to negotiate with foreign authorities in order to bring back fugitives and prosecute them under Indian laws.
- The government should consider examining the role of third parties such as chartered accountants, advocates, auditors, and rating agencies that figure in accounts related to bank frauds, and put in place strict punitive measures for future deterrence.
- Many a times, bank staff is not aware of fraudulent activities. They need to be educated on this aspect. Therefore regular training sessions for bank employees and the best practices across the world in areas of early fraud detection and prevention should be conducted on a regular basis.
- Banks should be equipped with some intelligence gathering agency, which might be deployed to track activities of borrowers and is able to help the bank in ensuring real time compliance and early detection of fraud.
- In addition to know your vendor and know your customer, the banks should also focus on know your markets. There should be a dedicated cell within each bank to assess the company to which they are lending and the macro-economic environment of the concerned industry or market where products are marketed. This seems relevant in the context of the recent crash of the Chinese market. Several Indian manufacturing companies, which were dependent on import of machinery from China, could not start their projects and generate cash flows, and this in-turn affected the banks from which loans were raised.

9. CONCLUSION

As one scam after another is uncovered, where public funds that were lent to banks have been sunk into NPAs, built up and actively hidden by clever accounting and provisioning norms, it becomes obvious that a deep and intensive clean-up is needed. Every time there is a scandal, too much attention is focused on the details of the drama and the blame game that follows. There is too little energy spent on remedial action, leading to a slow bleed of the affected organisation and the quickly spread of the rot. As they say, we cannot waste a crisis. Lessons have to be learnt and counter measures implemented.

REFERENCES

1. News article: https://timesofindia.indiatimes.com/india/every-4-hours-1-bank-staffer-held-for-fraud/articleshow/62965664.cms
2. Books: Mulla (2015), The Indian Contract Act, Section 17.
3. News article: https://www.livemint.com/Industry/5qv8uvgNJFmnXvLcri4boM/Over-25800-online-banking-fraud-cases-reported-in-2017-Gov.html&https://www.zdnet.com/article/online-banking-and-plastic-card-related-fraud-in-india-increases-35-percent/
4. News article: http://www.thehindu.com/news/cities/Delhi/cheque-fraud-racket-busted-bank-manager-among-5-held/article17936074.ece
5. RBI Speeches: Frauds in the Banking Sector: Causes, Concerns and Cures(Inaugural address by Dr.K.C.Chakrabarty, Deputy Governor, Reserve Bank of India on July 26, 2013 during the National Conference on Financial Fraud organized by ASSOCHAM at New Delhi)
6. RBI Master Circular: Frauds – Classification and Reporting, RBI/2008-09/29, DBS. CO.FrMC. BC. No. 15 /23.04.001/2008-09
7. Companies Act 2013, Chapter XIV, Section 211 http://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf
8. Books: Petter Gottschalk (2015), Fraud Examiners in White-Collar Crime Investigations, Auditing role
9. News article: https://economictimes.indiatimes.com/industry/banking/finance/banking/gokulnath-shetty-reportedly-shared-swift-password-with-nirav-modis-employees-times-now-report/articleshow/62968992.cms
10. Report: Assocham-CRISIL joint study March 2017: http://assocham.org/newsdetail.php?id=6696
11. Working Paper No: 505, Frauds in the Indian Banking Industry, Charan Singh, RBI Chair Professor
12. Book: IBM Blockchain for Dummies, IBM Limited edition, by Manav Gupta

National Seminar (MIBS - 2018)
MODERN INITIATIVES IN BANKING SECTOR – STRATEGIC PERSPECTIVES
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

EFFECTS OF NON-PERFORMING ASSETS IN BANKING SECTOR

G.USHA SREE
Research scholar, Kakatiya university,Hanamkonda

Abstract: *A nonperforming asset (NPA) refers to a classification for loans on the books of financial institutions that are in default or are in arrears on scheduled payments of principal or interest. In most cases, debt is classified as nonperforming when loan payments have not been made for a period of 90 days. While 90 days of nonpayment is the standard period of time for debt to be categorized as nonperforming, the amount of elapsed time may be shorter or longer depending on the terms and conditions set forth in each loan. Banks usually categorize loans as nonperforming after 90 days of nonpayment of interest or principal, which can occur during the term of the loan or for failure to pay principal due at maturity.*

Keywords: *Public sector banks, Private sector banks, Bank Loans, Banking Schemes, Maturity*

1. INTRODUCTION

A **Non-performing asset** (NPA) is defined as a credit facility in respect of which the interest and/or installment of Bond finance principal has remained 'past due' for a specified period of time. NPA is used by financial institutions that refer to loans that are in jeopardy of default the so called NPL. Once the borrower has failed to make interest or principal payments for 90 days the loan is considered to be a non-performing asset. Non-performing assets are problematic for financial institutions since they depend on interest payments for income. Troublesome pressure from the economy can lead to a sharp increase in NPLs and often results in massive write-downs.

With a view to moving towards international best practices and to ensure greater transparency, it has been decided to adopt the '90 days' overdue' norm for identification of NPA, from the year ending March 31, 2004. Accordingly, with effect from March 31, 2004, a non-performing asset (NPA)is a loan or an advance where;

- Interest and/or installment of principal remain overdue for a period of more than 91 days in respect of a term loan,
- The account remains 'out of order' for a period of more than 90 days, in respect of an Overdraft/Cash Credit (OD/CC),
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- Interest and/or installment of principal remains overdue for two harvest seasons but for a period not exceeding two half years in the case of an advance granted for agricultural purposes, and
- Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.
- Non submission of Stock Statements for 3 Continuous Quarters in case of Cash Credit Facility.
- No active transactions in the account (Cash Credit/Over Draft/EPC/PCFC) for more than 91days

Further classify non-performing assets further into the following three categories based on the period for which the asset has remained non-performing and the reliability of the dues:

- Sub-standard assets: a sub standard asset is one which has been classified as NPA for a period not exceeding 12 months.
- Doubtful Assets: a doubtful asset is one which has remained NPA for a period exceeding 12 months.
- Loss assets: where loss has been identified by the bank, internal or external auditor or central bank inspectors. But the amount has not been written off, wholly or partly.

Sub-standard asset is the asset in which bank have to maintain 15% of its reserves. All those assets which are considered as non-performing for period of more than 12 months are called as Doubtful Assets. All those assets which cannot be recovered are called as Loss Assets. Some advanced tools like Experian India's "Hunter Fraud Score" have also been launched that work on data mining and calculate some authentic score that can help banks detect fraud and lower their losses.

2. REVIEW OF LITERATURE

- Many published articles are available in the area of non-performing assets and a large number of researchers have studied the issue of NPA in banking industry. A review of the relevant literature has been described. Kumar (2013) in his study on A Comparative study of NPA of Old Private Sector Banks and Foreign Banks has said that Non-performing Assets (NPAs) have become a nuisance and headache for the Indian banking sector for the past several years. One of the major issues challenging the performance of commercial banks in the late 90s adversely affecting was the accumulation of huge non-performing assets (NPAs).
- Selvarajan & Vadivalagan (2013) in A Study on Management of Non-Performing Assets in Priority Sector reference to Indian Bank and Public Sector Banks (PSBs) find that the growth of Indian Bank's lending to Priority sector is more than that of the Public Sector Banks as a whole. Indian Bank has slippages in controlling of NPAs in the early years of the decade.
- Singh (2013) in his paper entitled Recovery of NPAs in Indian commercial banks says that the origin of the problem of burgeoning NPA's lies in the system of credit risk management by the banks. Banks are required to have adequate preventive measures in fixing pre- sanctioning appraisal responsibility and an effective post-disbursement supervision. Banks should continuously monitor loans to identify accounts that have potential to become non- performing.
- Gupta (2012) in her study A Comparative Study of Non-Performing Assets of SBI & Associates & Other Public Sector Banks had concluded that each bank should have its own independence credit rating agency which should evaluate the financial capacity of the borrower before credit facility and credit rating agencies should regularly evaluate the financial condition of the clients.
- Rai (2012) in her study on Study on performance of NPAs of Indian commercial banks find out that corporate borrowers even after defaulting continuously never had the fear of bank taking action to recover their dues. This is because there was no legal framework to safeguard the real interest of banks.

3. OBJECTIVES OF THE STUDY

- To study the concept of Non-performing assets.
- To identify the situation of Non-performing assets.
- To understand the effect of NPAs.

4. SOURCES OF DATA

The data collected is mainly secondary in nature. The sources of data for this thesis include the literature published by Indian Bank and the Reserve Bank of India, various magazines, Journals, Books dealing with the current banking scenario and research papers.

Banks play a crucial role in the Indian financial system. More than two-thirds of household savings are channeled through the banking system, which also provides more than 90% of the commercial credit in the country. In a bank-dominated economy, sustained impairment of the banking sector due to balance sheet problems creates a drag on real economic activity and can take the shape of an economic crisis. It is imperative to expeditiously resolve a banking sector crisis so that banks as the primary source of credit can start functioning normally again. In India, banking crisis is a recurrent phenomenon. There are several ways to describe a banking crisis. The most common manifestations of stress in the banking sector are in the form of insolvency and illiquidity. In India, crises have mostly manifested in the form of high levels of NPAs and their impact on the capital adequacy levels of banks. Hence, the levels of NPAs, in absolute and in relation to the capital in the banking system, constitute a convenient metric to compare the degree of banking crises.

When the borrower stops paying interest or principal on a loan, the lender will lose money. Such a loan is known as Non-Performing Asset (NPA). Indian Banking industry is seriously affected by Non-Performing Assets.

- It may be noted that for a bank, the loans given by the bank is considered as its assets. So if the principle or the interest or both the components of a loan is not being serviced to the lender (bank), then it would be considered as a Non-Performing Asset (NPA).
- Any asset which stops giving returns to its investors for a specified period of time is known as Non-Performing Asset (NPA).
- Generally, that specified period of time is 90 days in most of the countries and across the various lending institutions. However, it is not a thumb rule and it may vary with the terms and conditions agreed upon by the financial institution and the borrower.

5. THE EFFECTS OF NPAs

Carrying nonperforming assets also referred to as nonperforming loans, on the balance sheet places three distinct burdens on lenders. The nonpayment of interest or principal reduces cash flow for the lender, which can disrupt budgets and decrease earnings. Loan loss provisions, which are set aside to cover potential losses, reduce the capital available to provide subsequent loans. Once the actual losses from defaulted loans are determined, they are written off against earnings.

Recovering Losses

Lenders generally have four options to recoup some or all of the losses resulting from non performing assets. When companies are struggling to service debt, lenders can take proactive steps to restructure loans to maintain cash flow and avoid classifying loans as nonperforming. When defaulted loans are collateralized by assets of borrowers, lenders can take possession of the collateral and sell it to cover losses to the extent of its market value.

Lenders can also convert bad loans into equity, which may appreciate to the point of full recovery of principal lost in the defaulted loan. When bonds are converted to new equity shares, the value of the original shares is usually wiped out. As a last resort, banks can sell bad debts at steep discounts to companies that specialize in loan collections. Lenders typically sell defaulted loans that are not secured with collateral or when the other means of recovering losses are not cost-effective.

Banks are required to classify NPAs further into Substandard, Doubtful and Loss assets.

1. Substandard assets: *Assets which has remained NPA for a period less than or equal to 12 months.*

2. Doubtful assets: An asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months.

3. Loss assets: As per RBI, "Loss asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted, although there may be some salvage or recovery.

The higher is the amount of non-performing assets (NPAs), the weaker will be the bank's revenue stream. In the short-term, many banks have the ability to handle an increase in nonperforming assets - they might have strong reserves or other capital that can be used to offset the losses. But after a while, if that capital is used up, nonperforming loans will imperil a bank's health. Think of nonperforming assets as dead weight on the balance sheet.

- As the NPA of the banks will rise, it will bring a scarcity of funds in the Indian security markets. Few banks will be willing to lend if they are not sure of the recovery of their money.
- The shareholders of the banks will lose a lot of money as banks themselves will find it tough to survive in the market.
- This will lead to a crisis of confidence in the market. The price of loans, i.e. the interest rates will shoot up badly. Shooting of interest rates will directly impact the investors who wish to take loans for setting up infrastructural, industrial projects etc.
- It will also impact the retail consumers like us, who will have to shell out a higher interest rate for a loan.

- All of this will lead to a situation of low off take of funds from the security market. This will hurt the overall demand in the Indian economy. And, finally it will lead to lower growth rates and of course higher inflation because of the higher cost of capital.
- This trend may continue in a vicious circle and deepen the crisis.
- Total NPAs have touched figures close to the size of UP budget. Imagine if all the NPA was recovered, how well it can augur for the Indian economy.

6. WHY SUCH A SITUATION

The rising incidence of NPAs has been generally attributed to the domestic economic slowdown. esIt is believed that with economic growth slowing down and rate of interest going up sharply, corporates have been finding it difficult to repay loans, and it has added up to rising NPAs. However, The NPA mess is not entirely because of the reversal of economic cycles.

Here we look at the other reasons behind this mess. Basically the whole problem can be divided into two parts – External problems and internal problems as faced by the banks.

Banks in India are highly regulated. Priority sector lending (PSL) is one of these regulations which require the banks to give a certain % of their loans to certain sections of society. These are farmers, SCs, STs, IT parks, MSMEs etc. Naturally one would assume that the weaker sections covered under PSL are the ones to be blamed for the situation. However, it is not the case .As per recent news reports, the Standing Committee on Finance will be now examining the reasons for high NPAS in PSBs. The data, shared with the Standing Committee, shows that NPAs in the corporate sector are far higher than those in the priority or agriculture sector. Within the priority sector, incremental NPAs were more in respect to micro small and medium enterprises followed by agriculture.

INTERNAL FACTORS:

1. Indiscriminate lending: by some state-owned banks during the high growth period (2004-08) is one of the main reasons for the deterioration in asset quality.
2. Bankers say there is a lack of rigor in loan appraisal systems and monitoring of warning signals at state-run banks. This is particularly true in case of infrastructure projects, many of which are struggling to repay loans. Besides, these projects go on for 20 to 30 years.
3. Poor recovery and use of coercive techniques by banks in recovering loans
4. The wait and watch approach of banks have been often blamed as the reason for rising NPAs as banks allow deteriorating asset class to go from bad to worse in the hope of revival and often offer restructuring option to corporate.

A Parliamentary panel, examining increasing incidents of NPAs, has observed that state-owned banks should stop "ever-greening" or repeated restructuring of corporate debt to check the constant bulging of their non-performing assets. Members of the panel were of the view that NPAs are the result of bad economic situation, but there were also management issue of every-greening of loans, which could be avoided by "not renewing loans, particularly of corporate".

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 – The Act empowers Banks / Financial Institutions to recover their non-performing assets without the intervention of the Court, through acquiring and disposing of the secured assets in NPA accounts with outstanding amount of Rs. 1 lakh and above. The banks have to first issue a notice. Then, on the borrower's failure to repay, they can:

- Take possession of security and/or
- Take over the management of the borrowing concern.
- Appoint a person to manage the concern.

- **Recovery of Debts Due to Banks and Financial Institutions (DRT) Act:** The Act provides setting up to **Debt Recovery Tribunals (DRTs) and Debt Recovery Appellate Tribunals (DRATs)** for expeditious and exclusive disposal of suits filed by banks / FIs for recovery of their dues in NPA accounts with outstanding amount of Rs. 10 lac and above. Government has, so far, set up 33 DRTs and 5 DRATs all over the country.

- **Lok Adalats:** Section 89 of the Civil Procedure Code provides resolution of disputes through ADR methods such as Arbitration, Conciliation, Lok Adalats and Mediation. Lok Adalat mechanism offers expeditious, in-expensive and mutually acceptable way of settlement of disputes.
- Government has advised the public sector banks to utilize this mechanism to its fullest potential for recovery in Non-performing Assets (NPAs) cases.
- Among the various channels of recovery available to banks for dealing with bad loans, the SARFAESI Act and the Debt Recovery Tribunals (DRTs) have been the most effective in terms of amount recovered.
- **THE RECENT CONTROVERSY SURROUNDING LOAN RECOVERY IN INDIA – VIEWS OF THE SC.**
- BANKS HAVE BEEN ALLEGED TO ENGAGE IN COERCIVE PRACTICES TO RECOVER THE LOANS. RECENTLY, THERE HAVE BEEN SOME JUDICIAL PRONOUNCEMENTS BY THE APEX COURT DETERMINING THE SCOPE OF POWERS OF ENFORCEMENT OF SECURITIES WITHOUT THE INTERVENTION OF THE COURTS, BY THE BANKS AND FIS UNDER THE SARFAESI ACT. THE APEX COURT HAS REITERATED THE NEED TO PROTECT THE INTEREST OF BORROWERS, AND EMPHASIZED THAT THE EXERCISE OF EXTRAORDINARY POWERS OF RECOVERY, BY BANKS AND FIS MUST BE IN COMPLIANCE WITH THE PROVISIONS OF THE SARFAESI ACT.
- But, these are steps which cure the disease of NPAs.

"The issue of NPAs needs to be tackled at the level of prevention rather than cure."

Therefore, the steps that can prevent the piling up of NPAs are as follows:

CONSERVATISM :

Banks need to be more conservative in granting loans to sectors that have traditionally found to be contributors in NPAs. Infrastructure sector is one such example. NPAs rise predominantly because of long gestation period of the projects. Therefore, the infrastructure sector, instead of getting loans from the banks can be funded from **Infrastructure Debt Funds (IDFs)** or other specialized funds for infrastructural development in the country.

IMPROVING PROCESSES:

The credit sanctioning process of banks needs to go much more beyond the traditional analysis of financial statements and analyzing the history of promoters. For example, banks rely more on the information given by credit bureaus. However, it is often noticed that several defaults by some corporate are not registered in their credit history.

RELYING LESS ON RESTRUCTURING THE LOANS:

Instead of sitting and waiting for a loan to turn to a bad loan, and then restructure it, the banks may officially start to work to recover such a loan. This will obviate the need to restructure a loan and several issues associated with it. One estimate says that by 2013 there will be Rs 2 trillion worth of restructured loans.

EXPANDING AND DIVERSIFYING CONSUMER BASE BY INNOVATIVE BUSINESS MODELS:

Contrary to popular perceptions, the NPA in non-corporate sector is less than that in the corporate sector. Hence, there is a need to reach out to people in remote areas lacking connectivity and accessibility. More and more poor people in rural pockets should be brought under the banking system by adopting new technologies and electronic means. Innovative business models will play a crucial role here. Otherwise, the NPAs may increase instead of decreasing.

Table-1 Position of Non-Performing assets in different banks in India

S No.	Bank	Total Advances (Rs. in crore)	Gross NPA (Rs. in crore)	NPA Ratio (%)
1	Allahabad Bank	145,328	18,769	12.92
2	Andhra Bank	137,228	14,137	10.3

3	Bank of Baroda	269,115	35,604	13.23
4	Bank of India	274,391	43,935	16.01
5	Bank of Maharashtra	103,148	13,040	12.64
6	Bharatiya Mahila Bank Ltd.	627	3	0.4
7	Canara Bank	311,615	30,480	9.78
8	Central Bank of India	185,719	25,107	13.52
9	Corporation Bank	142,787	15,726	11.01
10	Dena Bank	81,114	9,636	11.88
11	IDBI Bank Limited	202,304	21,724	10.74
12	Indian Bank	122,173	8,690	7.11
13	Indian Overseas Bank	149,217	30,239	20.26
14	Oriental Bank of Commerce	150,301	17,209	11.45
15	Punjab & Sind Bank	63,134	4,566	7.23
16	Punjab National Bank	356,958	55,003	15.41
17	Syndicate Bank	167,759	13,475	8.03
18	UCO Bank	115,166	21,495	18.66
19	Union Bank of India	242,935	25,560	10.52
20	United Bank of India	70,781	10,104	14.28
21	Vijaya Bank	90,199	6,589	7.31
22	State Bank of Bikaner & Jaipur	74,033	4,593	6.2
23	State Bank of Hyderabad	112,420	9,436	8.39
24	State Bank of India	1,193,325	93,137	7.80
25	State Bank of Mysore	55,228	4,323	7.83
26	State Bank of Patiala	85,239	11,365	13.33
27	State Bank of Travancore	68,276	6,401	9.38
28	Catholic Syrian Bank Ltd.	7,859	455	5.79
29	City Union Bank Ltd.	21,216	555	2.62
30	Dhanlaxmi Bank Limited	6,771	475	7.02
31	Federal Bank Ltd.	59,408	1,747	2.94
32	ING Vysya Bank Ltd.	-	-	-
33	Jammu & Kashmir Bank Ltd.	50,640	4,715	9.31
34	Karnataka Bank Ltd.	35,412	1,389	3.92
35	Karur Vysya Bank Ltd.	39,382	702	1.78
36	Lakshmi Vilas Bank Ltd.	20,183	432	2.14
37	Nainital Bank Ltd.	2,776	145	5.21
38	Ratnakar Bank Ltd.	22,373	253	1.13
39	South Indian Bank Ltd.	41,705	1,652	3.96
40	Tamilnad Mercantile Bank Ltd.	22,329	489	2.19
41	Axis Bank Ltd.	300,173	7,909	2.63
42	Bandhan Bank Ltd.	13,358	29	0.22
43	DCB Bank Ltd	13,464	231	1.72
44	HDFC Bank Ltd.	440,955	4,724	1.07
45	ICICI Bank Ltd.	364,429	17,208	4.72
46	IndusInd Bank Ltd.	93,667	861	0.92
47	Kotak Mahindra Bank Ltd.	122,384	3,059	2.5
48	Yes Bank Ltd	103,411	845	0.82
49	IDFC Bank Limited	49,714	3,030	6.09

Source: RBI Report

Despite a series of steps to contain non-performing assets (NPAs), public sector banks (PSBs) wrote off a record Rs 81,683 crore worth of bad loans in the financial year ended March 2017, a jump of more than 41 per cent over the previous year's write-off amount of Rs 57,586 crore, as per the finance ministry data.

Even as the amount of loans written off has been rising steadily in the past five years, their combined profitability deteriorated sharply during the same period, as NPAs spiked and the Reserve Bank of India (RBI)-mandated asset quality review forced them to make higher disclosures of non-performing loans.In contrast to the write off amount of Rs 27,231 crore in 2012-13, when banks earned combined net profit of Rs 45,849 crore, the amount of loans written off in 2016-17 trebled to Rs 81,683 crore and the banks combined profits were a Rs 474 crore. Banks have written off a total of Rs 2.46 lakh crore worth of loans in the last five years, the finance ministry data show.

In the past couple of years, PSBs incurred combined net losses of over Rs 19,529 crore, even as the government capital infusion during these two years, at Rs 47,915 crore, was the highest in the last decade. The gross NPA of banks has risen to 9.6 per cent (of total advances) in March 2017, from 9.2 per cent in September 2016, as per the RBI data. The stressed advances ratio declined marginally from 12.3 per cent to 12 per cent due to fall in restructured standard advances, especially in agriculture, services and retail sectors, the data showed.

In order to contain NPAs and consequential write-offs, the finance ministry took a series of measures in the past 2-3 years, including asking banks to agree to operating performance norms for getting capital, amending the loan recovery laws, merging associate banks with the parent State Bank of India, among others.

The government last year enacted the Insolvency and Bankruptcy Code (IBC) and earlier this year empowered the RBI to direct banks to initiate insolvency proceedings against large loan defaulters. The RBI has recently directed banks to refer 12 large NPA cases for resolution under the IBC. The 12 troubled companies being referred to NCLT under the RBI directive — including Jyoti Structures, Bhushan Steel, Monnet Ispat and Electro steel Steels, Amtek Auto and Era Infra Engineering among others — account for a combined debt of around Rs 2.5 lakh crore.

As regards the non-performing accounts other than the large 12 cases, an RBI committee suggested that banks should be required to file for insolvency proceedings under the IBC for these accounts in case banks are unable to agree upon a viable resolution plan within six months. While these measures are expected to contain NPAs in the medium term, banks will have to take a hit on their profitability resulting from loan settlement on account of initiation of corporate insolvency resolution for large defaulters. As per a recent analysis by rating agency Crisil, banks are likely to take a haircut of 60 per cent, worth Rs 2.40 lakh crore, to settle 50 large stressed assets with debt of Rs 4 lakh crore.

On February 12, 2018, RBI withdrew a host of restructuring schemes such as 5:25, Strategic Debt Restructuring (SDR), Scheme for Sustainable Structuring of Stressed Assets (S4A) and Corporate Debt Restructuring (CDR). An estimated 3% of banking assets currently under such schemes may become non-performing assets (NPAs). Extant estimates of NPA, provisioning and capital requirement may go off-track. Possibly it's time for a systemic introspection of India's handling of its NPA crisis and how close are we to its systemic resolution.

Here a systemic resolution would imply; i) comprehensive identification of the stressed asset, ii) resolution of the stressed asset (liquidation where required) and iii) recapitalization of banks for residual losses. A well thought-out synchronized effort is called for between regulator, government and banks' management.

7. FRAMEWORK FOR RESOLVING THE CURRENT CRISIS:

Implementation of the Indian Bankruptcy Code (IBC) and National Company Law Tribunal (NCLT) are among the most commendable steps for resolving the crisis. While other steps are in the correct direction, there has been some meandering if not outright flip-flops. February 12 is a break from the previous approach of regulatory forbearance towards the acknowledgement of economic reality that loans backed by wishful cash flows and weak solvency do not solve on it's own.

Post 2008, two approaches for systemic bad debt resolution came to fore. One may be called the Iceland Approach and other the US Approach. Iceland in 2009 allowed it major banks to fail, not that it had much choice since in 2009, its debts were $86 billion while its GDP was $13 billion. Icelandic interest rate shot up to 18% and its currency crashed by 80%. But in 2016, Iceland bounced back to 7% plus GDP growth with almost full employment.

Intractable NPAs: As of September 2017, gross NPA (GNPA) is Rs 9 lakh crore which is 10.5% of the banking assets with restructured assets being an incremental Rs 1.3 lakh crore. RBI's Financial Stability Report (FSR) in December 2017 expects GNPA to rise further to 10.8% by March 2018 and 11.1% by September 2018. FSR in December 2016 expected March 2018 GNPA to be 10.1%. March 2017 GNPA was 9.6%, much higher than even the stressed assets scenario of 6.9% as per 2015 FSR. Since 2012, the actual GNPA was usually much higher than initial projections. Such large divergences could have been avoided if cash flow-based debt servicing measures and commercial credit bureau were leveraged for such projections.

Provisioning & Capital: Prior to February 12, many players expected GNPA to peak out. Systemic Provision Coverage Ratio (PCR) was around 47% of GNPA. This level of PCR would have enabled the banking system to have taken a haircut of 47% . without any further provision or capital requirement. This a somewhat optimistic scenario implies 53% recovery and Rs 4.8 lakh crore of equity flowing into the NPA corporates — a massive amount by any standard. The recent resolution instances suggest that banks may have to take a haircut of 60-70%. An incremental Rs 0.9 lakh crore to Rs 1.8 lakh crore provision/capital will be required on current GNPA level. Rs 1 lakh crore of GNPA requires provisions of Rs 0.5-0.7 lakh crore. Certain market participants estimate an incremental GNPA in the range of Rs 3-5lakh crore. The uncertainty with respect to provisions/equity requirement not only makes banks' financial planning a challenge but presents a risk to the systemic resolution process.

Concerted, Calibrated Resolution Approach: Indian economy is more complex than Iceland, neither does India print the global reserve currency. So neither the Iceland nor the US approach could be fully adopted. However, India ne could be fully adopted. However, India needs to fathom its NPA problem more definitively and set more realistic expectation of recovery of bad debt. A cohesive and synchronized joint plan needs to be developed between RBI, government and banks regarding the extent of provisioning and capital required and its mode of funding. Global experience suggests that from peak delinquency levels it takes 7 to 10 years to normalize the banking operations. Also, NPAs of such scale cannot we solved without some pain. Not taking the problem head on may mean India will have below potential growth for a long time, unless of course we become lucky and GNPA has actually peaked as quite a few hope.

8. CONCLUSION:

Looking at the giant size of the banking industry, there can be hardly any doubt that the menace of NPAs needs to be curbed. It poses a big threat to the macro-economic stability of the Indian economy. An analysis of the present situation brings us to the point that the problem is multi-faceted and has roots in economic slowdown; deteriorating business climate in India; shortages in the legal system; and the operational shortcoming of the banks. Therefore, it has to be dealt at multiple levels. The government can't be expected to rescue the state-run banks with tax-payer's money every time they fall into a crisis. But, the kind of attention with which this problem has been received by policymakers and bankers alike is a big ray of hope. Right steps, timely and concerted actions and a revival of the Indian economy will put a lid on NPAs. Prevention, however, has to become a priority than mere cure.

REFERENCES:

1. Acharya, V. and Kulkarni, N. 2011. What Saved the Indian Banking System: State Ownership or State Guarantees? World Economy, Vol. 35(1), pp. 19-31.
2. Banerjee, A., Cole, S. and Duflo, E. 2004. Banking Reform in India. Indian Policy Forum, Vol. 1(1), pp. 277-332.
3. Das, A., and Ghosh, S. 2007 Determinants of Credit Risk in Indian State-owned Banks: An Empirical Investigation. Economic Issues Journal Articles, Vol. 12(2), pp. 27-46.
4. Ghosh, S., Nachane, D.M., Narain, A. and Sahoo, S. 2003. Capital Requirements and Bank Behaviour: An Empirical Analysis of Indian Public Sector Banks. Journal of International Development, Vol. (15), pp. 145-156.
5. www.businessstandard.com

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

Frauds in banking - The recent scenario of major Indian frauds

A. RAMBABU
Assistant professor
[1]Department of MBA, Paladugu Parvathi Devi College of Engineering and Technology, Surampalli, Near Nunna, Krishna District, Andhra Pradesh, India – 521212

KISHORE PILLI
Department of MBA, Global Institute of Management and Technology, Bommuluru, Hanuman Junction, Krishna District, Andhra Pradesh, India – 521105.

Abstract: *Banks are considered as necessary equipment for the Indian economy. This particular sector has been tremendously growing in the recent years after the nationalization of Banks in 1969 and the liberalization of economy in 1991. Due to the nature of their daily activity of dealing with money, and even after having such a supervised and well regulated system it is very tempting for those who are either associated the system or outside to find faults in the system and to make personal gains by fraud. A bank fraud includes a considerable proportion of white collar crimes being investigated by the authorities. These frauds, unlike ordinary crimes, the amount misappropriated in these crimes runs into lakhs and crores of rupees. Bank fraud is a federal crime in many countries, defined as planning to obtain property or money from any federally financial institution. It is sometimes considered a white collar crime.*

Keywords: *Nationalization, Liberalization, Bank fraud, Misappropriated and Federal crime.*

1. INTRODUCTION:

Bank is a German word which means '**to collect**'. The main function of the banks is collection of funds as deposits. With time, banks have started performing other functions such as lending money, etc. Banks have now occupied a very important place in the economic structure of the country. After independence, in order to achieve the social objectives of the country banks were nationalized. A bank is a financial institution whose primary activity is to act as a payment agent for customers and to borrow and lend money. It is an institution for receiving, keeping and lending money in hopes of repayment.

Banking frauds have been in existence for centuries, with the earliest known frauds pertaining to insider trading, stock manipulation, accounting irregularity or inflated assists etc. Over the years, frauds in the banking have become more sophisticated and have extended to technology based services offered to customers. The Indian banking sector too is experiencing to the pain due to increase in fraud incidents have grown over the last two years. It is interesting to note that highlighted 'fraudulent documentation' and 'overvaluation or absence of collateral' as areas where incidents of fraud were most likely to occur. Fraud tends to be committed primarily due to the presence of three factors; financial pressure, opportunity and rationalization. While these factors are present in a growing economy, they can exacerbate during an economic downturn, when margins are tight and profitability is a challenge. The frauds in banking are increased to the lack of oversight by line managers or senior management on deviations from existing process or controls, business pressure to meet targets, and collusion between employees and external parties.

Banking frauds constitute a considerable percentage of white- collar offences being probed by the police. Unlike ordinary thefts and robberies, the amount misappropriated in these crimes runs into 'lakhs' and 'crores' of rupees. Bank fraud is a federal crime in many countries, defined as planning to obtain property or money from ant federally insured financial institution. It is sometimes considered a white-collar crime. Banking frauds include falsification of documents to benefit from customers excess proceeds and to fraudulently withdraw money from their accounts. There are also cases of deliberate cash theft by bank officials, cash officers, cashiers and customers. The number of bank frauds in India is substantial.

2. LITERATURE REVIEW:

According to **Albrecht** (1996), the symptoms of poor internal controls increase like likelihood of frauds. Internal control symptoms include a poor control environment, lack of segregation of duties, lack of physical safeguards, lack of independent checks, lack of proper authorization, lack of proper documents and records, the overriding of existing controls, and an inadequate accounting system.

Wilson (2006) examined the causes that led to the breakdown of barring bank, in his case study: "the collapse of barring banks'. The collapse resulted due to the failure in management, financial and operational controls of barring banks.

Bhasin (2007) examined the reasons for cheques frauds, the magnitude of frauds in Indian banks, and the manner, in which the expertise of internal auditors can be integrated, in order to detect and prevent frauds in banks.

Section 5(1) (b) of the Banking Regulation Act, 1949 defines banking as, "The accepting for the purpose of lending or investment, of deposits from the public, repayable on demand or otherwise and withdrawal by cheque, draft, and order or otherwise".

Section 5(1) (c) defines a banking company as, "Any company which transacts the business of banking in India".

3. OBJECTIVES:

The study seeks to evaluate the extent of implementation of internal control mechanism. It aims to identify the procedural lapses and various other causes responsible for bank frauds. The study seeks to know the perception of bankers towards bank frauds and their compliance towards implementation of preventive mechanism.

4. RESEARCH METHODOLOGY:

Here we used secondary data for this study. The ***secondary data*** are those which have already been collected by someone else and which have already been passed through the statistical process.

- Various publications
- Books, magazines and newspapers

Definitions:

According to **R.S. Meyers**, "Banks are institutions whose debts are referred to as 'bank deposits' and they are commonly accepted in final settlement of other people's debts".

According to **Justice Homes**, "The real business of a banker is to obtain deposits of money which he may use for his own profit by lending it out again".

Functions of Bank:

- Mobilization of Savings
- Facilitate Commerce and Trade
- Balanced Regional Development
- Provision of Finance to Backward Communities and Neglected Segments of Society
- Development of Agriculture and other Priority Sectors in the Economy

Structure of Banking System in India:

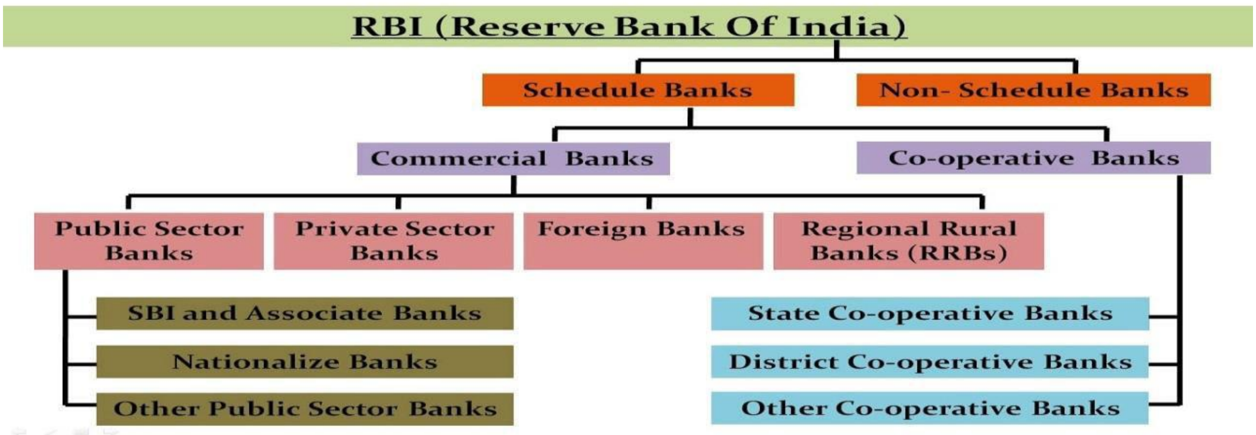


Figure 1

5. ANALYSIS:

"A dishonest act or behaviour through which one person gains or tries to gain an advantage over another which results in the loss of the victim, directly or indirectly is called as **fraud"**.

Under the IPC, fraud has not been defined directly under any particular section, but it provides for punishments for various acts which lead to commission of fraud. However, sections dealing with cheating, concealment, forgery, counterfeiting, misappropriation and breach of trust cover the same adequately. The contract act under section 17 states fraud means and includes any of the acts by a party to a contract or with his connivance or by his agents with the intention to device another party or his agent or to induce him to enter in to a contract.

The four most important elements for constituting fraud are; the active involvement of the staff, failure to follow the instructions and guidelines of the bank by the staff, collusion between businessman, executives and politicians to bend the rules and regulations and any other external factors. Fraud has also hampered the growth of this establishment or industry. It is a huge killer for the business sector and underlying factor to all human endeavours. It also increases the corruption level of a country. Even after there are various measures taken by the RBI to limit or decrease the frequency of frauds, the amount of money lost is still on the rise.

Types of Bank Frauds:

- **Fraud by Insiders**
  - Identity Theft
  - Illegal Insider Trading
  - Fraudulent Loans
  - Fraudulent Institutions
  - Forged Documents
  - Wire Fraud
  - Demand Draft Fraud

- **Fraud by Outsiders**
  - Cheque Fraud
  - Credit Card Fraud
  - Fraudulent Accounting
  - Stealing Identities
  - Money Laundering
  - Stolen Cheques
  - Forged Currency Notes
  - Cyber Fraud

Classification of Fraud:

To maintain uniformity in fraud reporting, frauds have been classified on the basis of types and provisions of the Indian Penal Code, and the reporting guidelines for the same has been prescribed by RBI. The Reserve Bank of India classifies Bank Frauds in the following categories.

- Misappropriation and criminal breach of trust.
- Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property.
- Unauthorized credit facilities extend for reward or for illegal gratification.
- Negligence and cash shortages.
- Cheating and forgery.
- Irregularities in foreign exchange transactions.
- Any other type of fraud not coming under the specific heads as above.

Mechanics of Bank Fraud:

- Deposit Account Frauds
- Purchased Bill Frauds
- Hypothecation Fraud
- Loan Fraud
- Computer Related Fraud
- Cheque Frauds
- Dishonour of Cheques
- Credit and Debit Card Fraud

The biggest Frauds in Indian Banking System:

2011 - Investigative agency CBI revealed that executives of certain banks such as the Bank of Maharashtra, Oriental Bank of Commerce and IDBI created almost 10,000 fictitious accounts, and an amount of Rs 1,500 crores worth loans was transferred.

2014 - Mumbai Police filed nine FIRs against a number of public sector related to a fixed deposit fraud to the tune of Rs 700 crores. In the same year Electro herm India which defaulted payment of Rs 436 crores to the Central Bank of India. Apart from that, Bipin Vohra, a Kolkata-based industrialist allegedly defrauded the Central Bank of India by receiving a loan of Rs 1,400 crores using forged documents.

Besides, another fraud that was unfolded in 2014 was the Bribe-for-Loan scam involving Ex-chairman and MD of Syndicate Bank SK Jain for involvement in sanctioning Rs 8,000 crores.

In the same year Vijay Mallya was also declared a willful defaulter by Union Bank of India, following which other banks such as SBI and PNB followed suit.

2015 - Another fraud that raised eyebrows involved employees of Jain Infra projects, who defrauded Central Bank of India to the tune of Rs 200 crores. In the same year, employees of various banks were involved in a foreign exchange scam involving a phony Hong Kong Corporation. They had defrauded the systems to move out Rs 6,000 crores.

2016 - One of the biggest frauds of 2016 is the one involving Syndicate Bank, were almost 380 accounts were opened by four people, who defrauded the bank of Rs 1,000 crores using fake cheques, LOUs and LIC policies.

2017 – Vijay Mallya's debt owing to defunct Kingfisher Airlines rises to Rs 950 crores to IDBI and other bank branches. CBI prepares charge sheet but he had fled the country in 2016. Currently residing in the UK, MAllya's extradition is being sought at the country's Westminster Court.

Winsome Diamonds also known to be India's second largest corporate defaulter came under the scanner after CBI booked six cases against the group and the companies under it. This case is similar to the one observed in the fresh bank fraud involving Nirav Modi group: Letters of Undertaking were issued by Indian Banks to Jatin Mehta's Winsome Diamonds. It may be noted that the gaps were first discovered in 2014. From mid-2013 the group failed to payback its debts, and was declared a willful defaulter by banks. The total debt amounts to almost Rs 7,000 crores.

Another case that grabbed eyeballs in the same year involved Deccan Chronicle Holdings for causing a loss of Rs 1,161 crores; CBI registered FIR against five PSB's and six charge sheets were filed against the company.

A Kolkata business tycoon Nilesh Parekh, a promoter of Shree Ganesh Jewellery House, was arrested by CBI in 2017 for causing a loss of Rs 2223 crores to at least 20 banks. Parekh arrested at Mumbai airport last year, allegedly defrauded banks by diverting loan money via shell companies in Hong Kong, Singapore, and UAE.

In this case, CBI filed a case against the former zonal head of the Bank of Maharashtra and a director of a private logistics company based in Surat, owing to an alleged scam involving Rs 836 crores.

2018 – Last but not the least by any means, the fresh bank fraud to the tune of Rs 11,450 crores involving diamond merchant Nirav Modi. It has come to light that the company, in connivance with retired employees of PNB, got at least 150 Letter of Understandings, allowing Nirav Modi group to defraud the bank and many other banks who gave loans to him. An Indian Express report says that in addition to the Rs 11,450 crores, Modi also defrauded 17 other banks of Rs 3,000 crores. In this case fake LOU's were recycled by the diamond jewellery group and illegally issued to other banks for borrowing money. Nirav Modi, his family and partners have fled the country and an exclusive report by TIMES NOW reveals that he is currently in the United States.

Another case that came to light this year concerns a former Andhra Bank director, who was arrested by Enforcement Directorate, in connection to an alleged Rs 500 crores bank fraud case, involving a Gujarat-based pharmacy firm.

6. CONCLUSION:

Banking frauds are a creation of the experienced criminals, frantic customers or someone associated with the banking system or their collusion. Most of time with a strict vigilance and examination of various documents, their work can easily be detected. The preventive measures as per banking system or Indian Penal Code will surely help correctly in combating the issue of bank frauds. Information of the conceivable avenues can keep the banker cautioned and subsequently help in battling the frauds. These frauds are now becoming more and more frequent and can be considered as one of the main reasons for damaging the economy of the country and with such high profile frauds happening all over the country, it has become necessary to put a check to these activities and if possible to create a more stringent legislation to deal with these issues. Sticking to the rules and eternal vigilance is the basic preventive measure.

7. SUGGESTIONS:

- Careful and systematic examination procedures of cheques and other transactions.
- Separation of book keeping and cash handling operations.

- Examining the receipts properly and strictly by confirming from the concerned authorities.
- Strict examination of the bank representative's and borrower's credential.
- Proper verification of documents and the purpose for taking the loan.
- Checking the signatures which should be genuine and must contain a proper date.
- The amount should be checked that it should be written in both numerical and words.
- Monitoring the working of the sale terminals periodically to detect unscrupulous merchants.

REFERENCES:

1. Peter S. Rose, Sylvia c. Hudgins (2010), *Bank Management and Financial Services*, Tata McGraw-Hill Publishing Company Limited, New Delhi.
2. James S. trieschmann, Robert E. Hoyt, David W. Sommer B (2008), *Risk Management and Insurance*, Cengage Learning, New Delhi.
3. Reddy K S, RAO R N (2013), *Banking and Insurance*, Paramount Publishing House.
4. Vasant Desai (2010), *Banking and Institutional Management*, Himalaya Publishing House.
5. Harold D. Skipper, W. Jean Kwon (2009), *Risk Management and Insurance: Perspectives in a Global Economy*, Blackwell Publishing, New Delhi.
6. NIA (2013), *Life Insurance Principles and Practices*, Cengage Learning, New Delhi.
7. Neelam C. Gulati (2011), *Banking and Insurance: Principles and practice*, Excell Books, New Delhi.

National Seminar (MIBS - 2018)
MODERN INITIATIVES IN BANKING SECTOR – STRATEGIC PERSPECTIVES
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

BANCASSURANCE IN INDIA STRATEGIC IMPLICATION - THE STUDY

Ms. B. Chandrakala Naik
Ph.D. Research Scholar, University College of Commerce & Business Management
Kakatiya University

Prof. D. Sakriya
Professor, University College of Commerce & Business Management, K.U.

Abstract: *The Banking and Insurance industries have changed rapidly the economic environment throughout the world. In this liberalized and competitive environment, every industry is trying to do better than others this has given rise to a new form of business. Where the two big financial institutions together integrated their strength and efforts and have created a new means of marketing and promoting their products and services. This made Banking sector and Insurance sector joined together which gives birth to BANCASSURANCE. Even now many cooperative banks announced tie ups with insurance companies to distribute insurance products. For the insurance companies it was a winning proposition as it could now leverage the wide network of the banks immediately. An added attraction was that banks in India have enjoyed the trust and confidence of the customers, even though they have not been very pleased with the service quality levels. The present study reveals with the theory and models of bancassurance detail explanation about RBI & IRDA regulation benefits to banking sector insurance sector and customer. This paper also shows the insurance penetration and density.*

Key words: *Bancassurance, IRDA,RBI, customer, banking, promoting, products, insurance.*

1. INTRODUCTION

Bancassurance refers to process of selling insurance policies through a bank. The bank and insurance company collaborate to provide insurance in the market through bank's distribution networks. Due to increased competition after liberalization, the financial industry has used this growth strategy and utilized their same channels to sell multiple financial products. Bancassurance has become significant around the world, specifically in European countries. It had got its importance in Indian market also. In India number of banks have joined hands with insurance companies and used this Bancassurance model to sell selected products. It has become a win-win strategy because banks earn commission by selling insurance products at low cost of infrastructure and better prices of products. Insurance companies get the benefit of distribution channels through bank branches. It helps them to sell their products in a convenient way. The success of this model mostly depends on banker-customers relationship over a period of time. This relationship motivates them to purchase insurance products apart from banking products and services. It is a mutual relationship between the banks and insurers. A relationship, which is amazingly complements each other's strengths and weaknesses. It has been accepted by banks, insurance companies as well as the customers. It is an international concept, which is spreading all around the world and is favored by all. Bancassurance, tries to exploit synergies between both the insurance companies and banks. Bancassurance is an important source of revenue. Well developed and evolved insurance sector is a boon for economic development as it provides long term funds for infrastructure development at the same time strengthening the risk taking ability of the country.

TABLE 1 - COMPARING BANCASSURANCE IN EUROPE, ASIA AND INDIA

	Europe	Asia	India
Regulation	Liberalized	Ranging from Liberalized to forbidden	Supportive
Market Growth	Mature markets but pension reforms can spur growth in the life insurance sector	High Growth Potential	High Growth
Bancassurance Model	Highly Integrated model	Distribution Alliances and Joint Ventures	Distributive

Major Drivers	Tax Concessions Squeeze on bank margins	Squeeze on bank margins, Growing costs for insurers, desire to expand Financial deregulatio	Tax free status on maturity. Small tax relief on premiums and narrowing bank margins
Products	Single Premium products to max tax benefit	Products geared towards savings	Mainly non-unitized Regular premium products.
Distribution	Multi–bank branches	Mainly Bank Branches	Bank Branches
Major Players	Domestic banks and insurers	Foreign Co's	Foreign Co's in association with Indian Counterparts
Sophistication	High	Varied	Low

2. REVIEW OF LITERATURE

The article titled "An Evaluation of Distribution Channels in Life Insurance: Agents vs. Bancassurance" by Mekala Mary Selwyn he examined the critically shortcomings of a typical life insurance agent in India and also had compared it with the operation of bancassurance.

"Bancassurance: Challenges and Opportunities in India", Rachana Parihar, the author, shows out as to how bancassurance can beneficial to the banks, insurers and also customers. The author takes a bird eye view of the global scenario of bancassurance. He discusses the distribution channels and cultural issues which involved in the distribution and presents the challenges and opportunities of bancassurance in India.

"Bancassurance Indian Scenario" by Sharath Jutur. The author says that bancassurance in India is still in starting stage and has to go a long way overcoming many challenges along the way.

Dr. Georgee K. l. Sumi Alex, 2010, "Bancassurance : A Futuristic Convergence". The author discusses the changed equation between banking and insurance businesses under the current circumstances. The author states by concluding that the current situation doesn't indicate any paradigm shift in bancassurance. The future of bancassurance seems to be bright.

3. RESEARCH PROBLEM

Increasing competition gave rise to innovative products and new channels of distribution for the marketing of insurance products. The entry of private players in the insurance market results the competition between the working of public sector and private sector insurance companies in order to capture the market. This work focuses on how Bancassurance will gain recognition and the role of bank in selling the insurance products. So, the present study is analysing the recent trends of bancassurace, and importance of bancassurance.

4. OBJECTIVES OF THE STUDY

- To study theory and models of bancassurance.
- To examine the recent trends and challenges of bancassurance.
- To study the benefits of bancassurance for banking, insurers sector and customers

5. METHODOLOGY OF THE STUDY

The study is based on secondary data .Secondary data is collected from various publications, Journals, Insurance Magazines, official websites (IRDA, RBI), Company's annual reports and newspapers. Tables and diagrams have been used at the appropriate places to present and classified the available data.

6. RESULTS AND FINDINGS:

I) BANCASSURANCE IN INDIA

The Insurance industry has opened in the year 2000 and Banks in India are permitted to do insurance business for the first time in the year 2002. It offered a very attractive proposition to the banks for generating additional fee based income against the backdrop of thinning spreads and severe competition, a series of tie ups were announced immediately after the permission and are even continuing till date.. Bancassurance as a business generating channel has been increasingly becoming important for the insurance companies, especially for the new private players which

started functioning after the reforms in the industry. The early Bancassurance distribution arrangements in India were taking off under two categories:
(a) Distribution alliances by way of referral arrangements and corporate agency relationships.
(b) Joint venture agreements.

Pure distribution arrangements provide both banks and insurance companies with additional sales potential with minimum of investment. The referral form of distribution is a loose agreement, an opportunistic approach, whereby the bank effectively controlling access to the client base passes on business leads to career agents of the insurance company with which it has tied up. The insurance company assigns career agents to sit in the premises of specific bank branches, and for every lead passed on, the bank gets a referral fee commission (with some banks also permitting the staff to receive 'incentives' from the insurer concerned).

II) NORMS AND GUIDELINES FOR BANKS AND INSURANCE COMPANIES

a) RBI Guidelines for the Banks to enter into Insurance Business:

Following the issuance of Government of India Notification dated August 3, 2000, specifying 'Insurance' as a permissible form of business that could be undertaken by banks under Section 6(1) (o) of The Banking Regulation Act, 1949 RBI issued the guidelines on Insurance business for banks.

1. Any scheduled commercial bank would be permitted to undertake insurance business as agent of insurance companies on fee basis. Without any risk participation permitted to set up a joint venture company for undertaking insurance
2. Banks that satisfy the eligibility criteria given below will be permitted to set up a joint venture company for undertaking insurance business with risk participation, subject to safeguards.
3. Banks having a net worth of not less than Rs. 500 Crores and a CRAR of not less than 10%, having a reasonable level of Non-Performing Assets can enter into joint ventures with insurance companies with risk participation, provided further that they have a net profit for the last three continuous years.

B) IRDA NORMS FOR INSURANCE COMPANIES

The Insurance regulatory development & Authority has given certain guidelines for the Bancassurance they are as follows:
1) Chief Insurance Executive: Each bank that sells insurance must have a chief Insurance Executive to handle all the insurance matters & activities.
2) Mandatory Training: All the people involved in selling the insurance should under go mandatory training at an institute determined (authorized) by IRDA & pass the examination conducted by the authority.
3) Corporate agents: Commercial banks, including co-operative banks and RRBs may become corporate agents for one insurance company.
4) Banks cannot become insurance brokers. Issues for regulation: Certain regulatory barriers have slowed the development of Bancassurance in India down. Which have only recently been cleared with the passage of the insurance (amendment) Act 2002.Prior it was clearly an impractical necessity and had held up the implementation of Bancassurance in the country as the current legislation places the following terms:

- Training and examination requirements: upon the corporate insurance executive within the corporate agency, this barrier has effectively been removed. Another regulatory change is published in recent publication of IRDA regulation relating to the licensing.
- Licensing of Corporate agents
- Specified person to satisfy the training & examination: According to new regulation of IRDA only the specific persons have to satisfy the training & examination requirement as insurance agent.

Table 2 Bancassurance tie ups in India

Insurance Company	Bank
Birla Sun Life Insurance	Bank of Rajasthan, Andhra Bank, Bank of Muscat, Deutsche Bank and Catholic Syrian Bank
AVIVA India Ltd.	Canara Bank, PNB, American Express, ABN Amro, Lakshmi Vilas Ban and 11 other cooperative banks.
HDFC Standard Life Insurance	Union Bank of India, HDFC Bank
ICICI Prudential	ICICI Bank, Lord Krishna bank, Bank of India, Citibank, Allahabad bank, Federal Bank, South Indian Bank and Punjab and Maharashtra Cooperative bank
Life Insurance Corporation of India	Corporation Bank, Indian Overseas Bank Centurion Bank, Allahabad Bank, Central

	Bank of India, Dena Bank, Vijaya Bank, Oriental Bank of Commerce and 3 other cooperative banks.
Met Life India Insurance Company	Karnataka Bank, J&K bank, Dhanalakshmi Bank.
SBI Life Insurance Company	State Bank of India
Tata AIG	HSBC, Citibank, IDBI Bank, Union Bank of India
ING Vyasya	Vyasya Bank, Bharat Overseas Bank
Allianz Bajaj	Standard Chartered Bank, Syndicate Bank

III) MODELS OF BANCASSURANCE

According to the theory the bancassurance may be classified as below:
I) Structural Classification:
A) REFERRAL MODEL: Banks intending not to take risk could adopt 'referral model', Referral model is simple arrangement, wherein the bank, while controlling access to the clients data base, parts with only the business leads to the agents/ sales staff of insurance company for a 'referral fee' or commission for every business lead that was passed on. In fact, a number of banks in India have already resorted to this strategy to begin with. This model would be suitable for almost all types of banks including the RRBs /cooperative banks and even cooperative societies both in rural and urban.
B) CORPORATE AGENCY: The other form of non sick participatory distribution channel is that of 'Corporate Agency', where in the bank staff as an institution acts as corporate agent for the insurance product for a fee/commission. This seems to be more available and appropriate for most of the mid sized banks in India as also the rate of commission would be relatively higher than the referral arrangement. This model is best suited for majority of banks including some major urban cooperative banks because neither there is sharing of risk nor does it require huge investment in the form of infrastructure and yet could be a good source of income. This model of bancassurance worked well in the US, because consumers generally prefer to purchase policies through broker banks that offer a wide range of products from competing insurers.
c) Insurance as Fully Integrated Financial Service/ Joint Ventures:
Apart from the above two, the fully integrated financial service involves much more comprehensive and intricate relationship between insurer and bank, where the bank functions as universal in its operation and selling of insurance products is just one more function within. This includes banks having wholly owned insurance subsidiaries with or without foreign participation. The great advantage of this strategy being that the bank could make use of its full potential to reap the benefit of synergy and therefore the economies of scope. This may be suitable to relatively larger banks with sound financials and has better infrastructure.

II. PRODUCT BASED CLASSIFICATION

A) STAND ALONE INSURANCE PRODUCTS
In this case, bancassurance involves marketing of the insurance products through either referral arrangement or corporate agency without mixing the insurance products with any of the banks' own products/ services. Insurance is sold as one more item in the menu of products offered to the bank's customer, however, the products of banks and insurance will have their respective brands too.
B) BLEND OF INSURANCE WITH BANK PRODUCTS
This method aims at blending of insurance products as a 'value addition' while promoting the bank's own products. Thus, banks could sell the insurance products without any additional efforts. In most times, giving insurance cover at a nominal premium/ fee or sometimes without explicit premium does act as an added attraction to sell the bank's own products, e.g credit card, housing loans, education loans etc. Many banks in India, in recent years, has been aggressively marketing credit and debit card business, whereas the cardholders get the 'insurance cover' for a nominal fee or (implicitly included in the annual fee) free from explicit charges/ premium. Similarly, the home loans / vehicle loans, etc have also been packaged with the insurance cover as an additional incentive.

III. BANK REFERRALS:

There is also another method called 'Bank Referral'. Here the banks do not issue the policies; they only give the database to the insurance companies. The companies issue the policies and pay the commission to them. That is called referral basis. In this method also there is a win situation everywhere as the banks get commission, the insurance companies get databases of the customers and the customers get the benefits.

iv) RECENT AND CHALLENGES OF BANCASSURANCE

Bancassurance has traditionally targeted the mass market, but bancassurers have begun to finely segment the market, which has resulted in tailormade products for each segment. Some bancassurers are also beginning to focus exclusively on distribution. In some markets, face-to-face contact is preferred, Which tends to favor bancassurance development.

- Bancassurers has targeted the mass market and also carefully begun to segment the market which had resulted in the tailor made perfect products for each segment.
- Some bancassurers focus mostly on distribution. At some markets, face to face contact is preferred it proves to be a favorable arrangement for the development of bancassurance business.
- Firstly banks opt for either "referral models" or "corporate agency".
- Banks are offering space in their own premises to accommodate the insurance staff for selling the insurance products or to give access to their client's database. This opportunity can be use by Insurance companies to increase their sale.
- Nowadays banks are marketing and comparing the insurance products across the globe. Numbers of banks in India are acting as the "corporate agents" to insurance company.

Banks are starting to embrace direct and Internet banking as the tools to distribute insurance products. New and emerging channels are become increasingly competitive, due to the tangible cost benefits embedded in product pricing. Bancassurance is still evolving in Asia and this is still in infancy in India and it is not yet possible to assess the exact position. Banks by and large are resorting to either 'referral models' or 'Corporate agency model' to begin with. Banks even offer space in their own premises to accommodate the insurance staff for selling the insurance products or giving access to their client's database for the use of the insurance companies.

v) BANCASSURANCE PRODUCTS:

A range of products have been developed for Bank customers within the Bancassurance umbrella.

- Credit Protection
- Off the shelf products
- Group products
- Unit linked products
- Universal protection plans

vi) **BENEFITS AND ADVANTAGES OF BANCASSURANCE**

1. Banks:

   i. As a source of fee based income
   ii. Product diversification
   iii. Building close relations with the customers

2. Insurance Companies

   i. Stiff competition
   ii. High cost of agents
   iii. Rural penetration
   iv. Multi channel distribution
   v. Targeting middle income customers

vii) ADVANTAGES OF BANCASSURANCE

Bank	**Insurance**
One stop-shop	lower distribution cost
Customer retention	better persistency
Commission Income	New customer groups or geographical areas
Reduced cost/Income Ratio	Product range increase (bank products)

source: munich re-survey

viii) NEED FOR BANCASSURANCE IN INDIA

In present days statistics speak about the need of a well equipped financial structure for a country that helps it to grow economically. If we talk of statistics, we have to check out the Insurance density and Insurance penetration.

Insurance density

Years	0-1	1-2	2-3	3-4	45	5-6	6-7	7-8	8-9	9-10
Density	9.1	11.7	12.9	15.7	18.30	33.2	40.4	41.2	47.7	52.2

Insurance industry penetration (%)

FY	5	6	7	8	9	10	11	12	13	14	15	16
%	3.17	3.40	4.80	4.70	4.60	5.20	5.10	4.10	3.96	3.90	3.30	3.40

Source: *Insurance Regulatory and Development Authority (IRDA)*

- Insurance penetration reached 3.4 per cent in FY16 and is expected to cross 4 per cent in FY17.
- In Union Budget 2017, government increased the coverage from 30 per cent to 40 per cent under Pradhan Mantri Fasal Bima Yojna

ix) ISSUES AND PROBLEMS OF BANCASSURANCE

The following are the problems or issues faced by bancassurance industry in India:

• The change from manufacturing to pure distribution of insurance requires banks to pull together the incentives of different suppliers with their own products in a more improved way.

• Bank employees are usually low on enthusiasm. Lack of sales culture itself is a big barrier than the lack of marketing skills in the employees. Banks are generally used to only product packaged selling and hence selling insurance products logically do not seem to fit in their system.

•Private sector insurance firms are finding „change management" as a major challenge. A public sector bank frequently gets a new chairman almost every two years from different bank. This results in an absolute change in the distribution strategy and further creates dissimilarity between public and private sector banks.

•The banks also fear that at some point the insurance partner may end up cross - selling banking products to their policy holders. If the insurer is selling the products by agents as well as banks then there is a risk of clash between both if the agents targeting the same customers

7. CONCLUSION:

The insurance industry in India has been progressing at a rapid speed there is a bright future for bancassurance in the Indian insurance market. Growth rate of insurance income is remarkable in some of the banks so there is very good scope for further development in the selling of bancassurance products by the banks in the long run. It concludes that bancassurance has gained recognition in the market Bancassurance in its various forms and fast developed on the Indian insurance scene. Taking different strategic strides, insurance companies in the public as well as private sectors have been aligning with nationalized and private banks, rural banks and co-operative societies to reach down to the consumers at all levels. Also, the nature of products to be sold through this medium has been customized to meet the specific requirements of the consumers. Since, insurance comes under the preview of IRDA and banks are under the RBI, dual control of both the nodal authorities was mandated and hence regulations governing Bancassurance were provided by both. But with passage of time, the IRDA review committee has suggested ways and means to centralize this dual control and bring out necessary changes in regulations in order to make Bancassurance a strong contributor to business generation in the insurance industry. The consumer today is much more aware, informative and calculative than his predecessor s and hence the onus lies on the insurance service providers as to how they can not only attract customers but also retain them in the long run to ensure business growth.

REFERENCES

Journals

1. Anuja Banerjee, "Bancassurance: A Major Para - bankingActivity", Insurance Chronicle, Pp. 35 - 38.Apr. 2009.
2. Nalini Prava Tripathy. "Bancassurance in India - Tasks Ahead", Journal of Insurance and Risk Management, Vol.V, Issue 10, Pp. 51 - 60, June 2007.
3. Malpani, Sudarshan," Many roads to Bancassurance", IRDA Journal, Aug 2003.
4. Neelamegam, R. and Veni, K. Pushpa, Bancassurance - "An Emerging Trend in Indian service Sector",Indian Journal of Marketing, Pp 50 - 54,October 2009.
5. Bancassurance: A Feasible Strategy for Banks in India? Reserve Bank of India Occasional Papers, 27(3), 125-162.

Books

1. FICCI (2010). Indian Banking system: Current state and road ahead. Jha, S.M. (2000). Services Marketing.Mumbai: Himalaya Publishing House.8Karunagaran, A. (2006).
2. Chatley, Pooja. Kaur, Khushdip & Marwaha, Rajesh (2008). Bancassurance: The new wave in the life insurance sector in Uppal, RK. (Ed),Challenges and Opportunities for Banks in India.
3. 1st edition,185 -196. New Delhi : Mahamaya Publishing House .Chaudhary, Amitesh(2004).

Web references

1. www.irda.gov.in
2. www.banknet.com
3. www.insuremagic.com
4. http://primaxijcmr.com/backoffice/Images/content_images/Article_16.B.Anurad ha.pdf

INTERNATIONAL JOURNAL OF RESEARCH CULTURE SOCIETY ISSN: 2456-6683 Special Issue - 13, Apr - 2018
UGC Approved Monthly, Peer-Reviewed, Refereed, Indexed Journal Impact Factor: 3.449 Publication Date: 22/04/2018

National Seminar (MIBS - 2018)
MODERN INITIATIVES IN BANKING SECTOR – STRATEGIC PERSPECTIVES
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

Recent trends in agriculture lending in India : A study

Mr. B. Srinivas Naik
Advocate, District Court Warangal,
Telangana State – 506009

Prof. D. Sakriya
Professor University College of Commerce & Business
Management Kakatiya University Warangal,
Telangana State – 506009

Abstract: *Finance in agriculture is as important as other inputs being used in agricultural production. Agriculture contributes greatly to the nation economy in both jobs and GDP. Agriculture is the main source of income and employment for the 70 percent of the world's poor, who live in rural areas and only 10 percent of gross domestic produce (GDP) in low and middle income countries is generated by the agricultural sector. Technical inputs can be purchased and used by farmer only if he has money (funds). But his own money is always inadequate and he needs outside finance or credit. Professional money lenders were the only source of credit to agriculture till 1935. They used to charge unduly high rates of interest and follow serious practices while giving loans and recovering them. As a result, farmers were heavily burdened with debts and many of them perpetuated debts. With the passing of Reserve Bank of India Act 1934, District Central Co-op. Banks Act and Land Development Banks Act, agricultural credit received impetus and there were improvements in agricultural credit. A powerful alternative agency came into being. Large-scale credit became available with reasonable rates of interest at easy terms, both in terms of granting loans and recovery of them. Although the co-operative banks started financing agriculture with their establishments in 1930's real impetus was received only after Independence when suitable legislation were passed and policies were formulated. Thereafter, bank credit to agriculture made phenomenal progress by opening branches in rural areas and attracting deposits.*

Key words: *finance, inadequate, development, loan, deposits.*

1. INTRODUCTION:

In developing countries, poverty is a phenomenon concentrated in rural areas where the vast majority of the farm holdings maintain rudimentary agricultural practices. Agricultural finance is a sectarian concept that comprises financial services for agricultural product on, processing, and marketing. It includes short, medium, and long term loans, leasing, savings, payment services, and crop and livestock insurance. This makes agricultural development a priority strategy for the governments of several countries in their struggle against food insecurity and to reduce poverty. Finance in agriculture is very important as development of technologies and these technical inputs can be purchased and used by farmers only if sufficient Fund is available with farmers. Most of the times farmers are suffer from the problem of inadequate financial state. This situation leads to borrowing from an easy and comfortable source. Upto1935 Professional money lenders were the only source of credit to agriculture. They used to charge unduly exorbitant rates of interest and follow serious practices while giving loans and recovering them. As a result, farmers were heavily burdened with debts and many of them are left with perpetuated debts. There were widespread discontents among farmers against these practices and there were instances of riots also. In 1934 Reserve Bank of India Act 1934 was introduced, where District Central Cooperative Banks and Land Development Banks, agricultural credit received impetus and there were improvements in agricultural credit.

A powerful alternative agency came into being through the initiative of the government. Large -scale credit was available with reasonable rates of interest at easy terms, both in terms of granting loans and recovery of them. The cooperative banks advance credit mostly to agriculture. First bank advanced short-term and medium term loans while the second bank advanced long-term loans. The Reserve Bank of India as the Central bank of the country took lead in making credit available to agriculture through these banks by laying down suitable policies. Although the cooperative banks started financing agriculture with their establishments in 1930‟s real impetus was received only after Independence when suitable legislations were passed and policies were formulated. Thereafter, bank credit to agriculture has made a phenomenal progress by opening branches in rural areas and attracting deposits. Till 14 major commercial banks were nationalized in 1969, cooperative banks were the main institutional agencies providing finance to agriculture. After nationalization, it was made mandatory for these banks to provide finance to agriculture as a priority sector. These banks undertook special programs of branch expansion and created a network of banking services throughout the country and started financing agriculture on large scale. Thus agriculture credit acquired multi-agency dimension. In bringing "Green Revolution", "White Revolution" and now "Yellow Revolution" finance has played a crucial role. Now the agriculture credit, through multi agency approach has come to stay. The procedures and amount of loans for various purposes have been standardized. Among the various purposes "Crop loan" (Short term loan) has the major share. In addition, farmers get loans for the purchase of electric motor with pump, tractor and other machinery, digging wells or boring wells, installation of pipe lines, drip irrigation, planting fruit orchards, purchase of dairy animals and feeds/fodder for them, poultry, sheep/goat keeping and for many other allied enterprises.

2. OBJECTIVE OF THE STUDY:

- To study the role and important of agriculture finance.
- To study the strategy of agriculture financing.

3. METHODOLOGY:

The study is based on secondary data .Secondary data is collected from various publications, Journals, Magazines, official websites (RBI), annual reports and newspapers. Tables and diagrams have been used at the appropriate places to present and classified the available data.

→ Result and discussion:

Meaning:

"Agricultural finance is the study of financing and liquidity services credit provides to farm borrowers. It is also considered as the study of those financial intermediaries who provide loan funds to agriculture and the financial markets in which these intermediaries obtain their loan able funds.

Definition:

→Murray (1953) defined agricultural finance as “an economic study of borrowing funds by farmers, the organization and operation of farm lending agencies and of society’s interest in credit for agriculture.”

→Tandon and Dhondyal(1962)defined agricultural finance “as a branch of agricultural economics, which deals with and financial resources related to individual farm units”.

→ Importance of agriculture finance:

Agricultural production in this country depends upon millions of small farmers. Farmer’s intensity, effort and efficiency have helped in raising yields per acre. Finance in agriculture act as a key to farmers. But farmer’s money is always inadequate and they needs outside finance or credit. Because of inadequate financial resources and absence of timely credit facilities at reasonable rates, many of the farmers, are unable to go in for improved seeds and manures or to introduce better methods or techniques. The farming community must be kept informed about the various sources of agriculture finance. Agricultural finance possesses its usefulness to the farmers, lenders and extension workers. The knowledge of lending institutions, their legal and regulatory environment helps in selecting the appropriate lender who can adequately provide the credit with terms and related services needed to finance the farm business.

→ Role of agriculture finance:

Agriculture plays a crucial role in the development of the Indian economy. It accounts for about 19 per cent of GDP and about two thirds of the population is dependent on this sector. Agricultural finance is a subset of rural finance dedicated to financing agricultural related activities such as input supply, production, distribution, wholesale, processing and marketing. Financial service providers face distinct challenges when dealing with this sector. The modern agriculture has increased the use of inputs special for seed, fertilizers, irrigational water, machineries and implements, which has increased demand for agricultural credit. The adoption of modern technology, which is capital intensive, has commercialized agricultural production in India. Besides, the farmer income is seasonal while his working expenses are spread over time. In addition, farmer's inadequate savings require the uses of more credit to meet the increasing capital requirements. Furthermore, credit is a unique resource, since it provides the opportunity to use additional inputs and capital items now and to pay for them from future earnings. The rural population in India suffers from a great deal of indebtedness and is subject to exploitation in the credit market due to high interest rates and the lack of convenient access to credit. Rural households need credit for investing in agriculture and smoothening out seasonal fluctuations in earnings. Since cash flows and savings in rural areas for the majority of households are small, rural households typically tend to rely on credit. Rural households need access to financial institutions that can provide them with credit at lower rates and at reasonable terms than the traditional money lender and thereby help them avoid debt traps that are common in rural India. Timely and adequate agricultural credit is important for the increase in fixed and working capital for farmers. In order to provide sufficient credit to the farmers, many institutional and non institutional agencies are working. Under institutional agencies cooperative, commercial, regional rural banks and different Government organizations are supplying credit to the needy farmers on priority basis.

→ Status of agriculture finance:

Credit in conjunction with modern agricultural technologies has ushered in the agricultural development across Indian regions. The liberal credit supply by the lending institutions enabled rapid infrastructural growth across and thereby improved the farm level credit absorption capacity. Although credit has played vital role in agricultural development yet regional and farm

Category wise disparity has also taken place. In fact, some of the states with better natural resource base have progressed well while some others lagged far behind. Likewise, some farmers with better resource endowments and access to financial and other institutions have marched faster while others could not do so. Furthermore, multiplicity of lending institutions together with the liberal deployment of credit through various ongoing schemes including micro financing has saved rural dwellers from the clutches of money lenders. Yet, non institutional credit agents still survive as they follow the canons of financing.

Different national banks providing agriculture loan (Rs-crores)

Bank	Agri-total	Agr-ANBC%
Punjab national bank	54586	19.74
Canara bank	48797	22.88
Bank of India	40211	19.68
Central bank of India	35382	18.19
Bank of baroda	28432	14.02
Union bank of India	25614	14.14
Indian overseas bank	26254	18.61
Syndicate bank	22071	18.36
Allahabad bank	21924	17.56
Oriental bank of commerece	21177	16.43
Andhra bank	20267	20.78
Indian bank	19165	18.95
UCO bank	16600	13.80
Corporative bank	13144	13.14
IDBI bank ltd	15200	7.91
Bank of maharashtra	13091	15.75
Dena bank	10800	15.06
Vijaya bank	9700	13.76
Bank of India	9725	13.77
Punjab and sind bank	7900	15.58

Above table shows that performance of Public sector banks in achieving benchmarks of 18% of ANBC is dismal and only 40% of nationalized banks could achieve benchmark of 18% of ANBC stipulated by RBI as of March 2014.

Performance of Public sector Banks under Agriculture (Rs. In crore)

Year	Total agri	ANBC
2001	53685	15.70
2002	63082	15.90
2003	73507	15.40
2004	86186	15.40
2005	112474	15.70
2006	154900	15.20
2007	205090	15.60
2008	248685	17.50
2009	296856	18.20

2010	370729	17.50
2011	414990	17.90
2012	475148	16.60
2013	532801	15.70
2014	687242	15.10

Strategy to improve agriculture finance:

The achievement of targets in the agricultural sector which covers production of food and essential raw material like cotton, jute and oilseeds, ought not to be allowed to suffer for want of adequate credit. However, specific items of productive work and rates of interest need to be considered as an integral part of the Plan. For providing these facilities all the existing agencies like money lenders, commercial banks, cooperatives and the State have to be integrated and harnessed to a common purpose. Such a comprehensive approach is essential for ensuring the best use of all the available resources of the nation

Classification of finance:

→ On the basis of time:

1. **Short-Term:** The "short-term loans" are generally advanced for meeting annual recurring purchases such as, seed, feed, fertilizers, hired labor expenses, pesticides, wee decides and hired machinery charges which are termed as seasonal loans/crop loans/production loans. These are expected to be repaid after the harvest. It is expected that the loan plus interest would be repaid from the income received through the enterprise in which it was invested. The time limit to repay such loans is a year.

2. Medium: Term (from 15 months up to 5 years):
"Medium-term loans" are advanced for comparatively longer lived assets such as machinery, diesel engine, wells, irrigation structure, threshers, shelters, crushers, draught and milk animals, dairy/poultry sheds, etc., where the returns accruing from increase in farm assets is spread over more than one production period. The usual repayment period for such type of loan is from fifteen months to five years.

3. Long-Term: (above 5 Years):
Loans repayable over a longer period (i.e. above 5 years) are classified as long-term loans. "Long-term loans" are related to the long life assets such as heavy machinery, land and its reclamation, erecting of farm buildings, construction of permanent - drainage or irrigation system, etc. which require large sums of money for initial investment. The benefits generated through such assets are spread over the entire life of the asset. The normal repayment period for such loans ranges from five to fifteen or even up to 20 years

.

→Purpose classification:
Credit is also classified based on purpose of loans e.g. crop loan, poultry/dairy/piggery loan, irrigation loan, machinery and equipment loan, forestry, an, fishery loan etc. These loans signify the close relationship between time and use as well as rate of return or profitability. Sometimes loans are also classified as production and consumption loans due to the fact that production loans are diverted for consumption purposes by the weaker sections. So, the banks have also started financing for consumption purposes (exclusively for home consumption expenditures) besides financing for the production purposes. The consumption loans are also to be repaid from the sale proceeds of the crop.

Share of short term and long term loans to agriculture (in-crores)

Years	Short Term Loans	Long Term Loans	Total	Share of Short Term Loans (%)	Share of Long Term Loans (%)
1990-91	42.35	127.97	170.32	24.87	75.13
1991-92	46.31	123.51	169.82	27.27	72.73
1992-93	49.88	133.00	182.88	27.28	72.72
1993-94	54.25	136.88	191.13	28.28	71.62

1994-95	61.64	147.66	209.20	29.42	70.58
1995-96	71.73	162.55	234.28	30.82	69.38
1996-97	87.66	175.61	263.27	33.30	66.70
1997-98	95.22	189.24	284.46	33.47	66.53
1998-99	108.21	189.98	298.19	36.29	63.71
1999-00	126.10	205.32	334.42	37.71	62.29
2000-01	154.54	228.28	382.70	40.35	59.65
2001-02	188.82	262.64	451.06	41.86	58.14
2002-03	232.11	305.93	538.04	43.14	56.86
2003-04	319.82	361.21	681.03	46.96	53.04
2004-05	427.98	527.21	955.19	44.81	55.19
2005-06	599.75	756.32	1356.03	44.23	55.77
2006-07	760.06	930.12	1690.18	44.97	55.63
2007-08	961.62	1066.44	2027.96	44.41	52.59
2008-09	1262.85	1298.34	2561.19	49.31	50.69
2009-10	1676.23	1478.13	3154.36	53.14	46.86
2010-11	1932.62	1643.22	3575.84	54.09	45.95
2011-12	2690.30	1742.68	4432.98	60.69	39.31

→ Trends in growth of agricultural credit in the 1990s and 2000s

Historically, agricultural credit has comprised mainly of finance provided directly to cultivators, which was called "direct finance to agriculture". Within direct finance to agriculture, short-term credit or credit for seasonal agricultural operations has accounted for significant share. Short-term loans to agriculture are referred as the "crop loans", as they are advanced for crop cultivation against the hypothecation of crop to be cultivated by the farmer. Crop loans are provided as cash or in kind, such the supply of fertilizers and seeds. Apart from crop loans, direct finance also includes credit for its medium and long-term investment in agriculture. The second component of agricultural finance is called "indirect finance", which does not go directly to the cultivators but to institutions that support agricultural production in all rural areas. The typical forms of indirect finance of agriculture were loans to input dealers for their role in provision of agricultural inputs and loans to electricity boards for supplying power to the cultivators. In the 1990s, when India began to implement the policy of financial sector liberalization, there was a significant slowdown in the growth of the commercial bank credit to agriculture compared to the 1980s.

The slowdown in the growth of agricultural credit flow in 1990s had prompted. Governor of the Reserve Bank of India note that 2cent between 1981 and 1990, agricultural credit grew at just 2.6 per cent per annum between 1991 and 2001. Further, the growth rate of agricultural credit in the 1990s was less than the growth rate of the rural population in the corresponding period. The slowdown in agricultural credit in the 1990s appears to be reversed in the period after 2000. Between 2002 and 2011, agricultural finance grew by 17.6 per cent per annum, which was significantly higher than the growth rate recorded for the 1990s. The increase in the growth rate of agricultural credit in the 2000s was so significant that the level of credit reached in 2011 was considerably higher than what it would have been if credit had grown in the 1990s and 2000s at the growth rate of the 1980s.

→ The Present Problems of Indian Agriculture Are

- Scarcity of input water.
- Shortage of agricultural labor because of NREGS.
- Mass desertion from farming to non-farm occupations because of expanding constructions.
- Shortage of organic manures in spite of rising demand.
- Feed problems of diary and farm animals and poultry birds.
- Mounting overdue of farm loans and failure of cooperatives.
- Climate related crop failures and outbreak of diseases.
- Mental trauma of the farm families in combating economic reform.
- Rising cost of living and deficit family budget.
- Uncertainly of the cropping system and changing package of practices.
- Confuse in the channel of marketing aid loss of market during harvesting.
- Widening gap of income between farmers and non-farmers.
- Abrupt rise and fall of agricultural commodities supply because of liberalization.
- Transportation problems from farm to main roads.
- Community ownership system of land adopted in the hills of NE region.

- Acute problems of drinking water in rural areas.
- Rising expenditure of socio-cultural activities and over consumption.
- Shortage of electric power and cooking fuels in remote villages.
- Loss of working days due to extreme hot and extreme cold, and road blockade, etc.

→ India GDP Form Agriculture 2011-2018:

GDP Form Agriculture in India increased to 5722.27 INR Billion in the fourth quarter of 2017 from 3336.11 INR Billion in the third quarter of 2017. GDP From Agriculture in India averaged 4026.84 INR Billion from 2011 until 2017, reaching an all time high of 5722.27 INR Billion in the fourth quarter of 2017 and a record low of 2690.55 INR Billion in the third quarter of 2011Historical.

India GDP form Agriculture.

Date	Unit	Frequency	Actual	Previous	Highest	Lowest
2011-17	INR billion	Quarterly	5722.27	3336.11	5722.27	2690.55

Changes in the GDP in India as per economic survey 2013-14

1950-51	53.1
1960-61	48.7
1970-71	42.3
1980-81	36.1
1990-91	29.6
2000-01	22.3
2012-13	13.9
2013-14	13.9

The share of agriculture in employment was 48.9 per cent of the workforce. In other words Agriculture is the principal source of livelihood for more than 58% of the population of this country. As per the Economic Survey the sector share in the Gross Domestic Product (GDP) was 17.4 in 2015-16.

4. CONCLUSION:

Kisaano ki Samriddhi", the well-being of farmers is vital to the nation's prosperity. Kisan is the sentinel of our food security. Annadaata Sukhibhava has been one of our fundamental civilizational values. It is the time the government is taking several steps to usher in Second Green Revolution in the entire country. India lives in the villages. Agriculture sector is the soul of Indian economy and for the people of India. The government through its various schemes of finance to agriculture aim at helping farmers and by helping it attempts to promote the growth and productivity of agriculture. This enhancing attempt is a major encouragement to farmers to sustain the growth in agriculture. The schemes of finance explained is a continuous and sustained effort of the government to encourage farmers.

REFERENCES:

Journals:

1. Chavan, Pallavi (2008), "Gender Inequality in Banking Services", Economic and Political
2. Weekly, 43 (47), November 22-28, pp. 18-22.
3. Chavan, Pallavi (2009), "How Rural is India's Agricultural Credit?", The Hindu, ??.
4. Chavan, Pallavi (2012), "Public Banks and Financial Intermediation in India",

Annual reports:

1. Ministry of Agriculture (2007), "Agricultural Credit", in Annual Report: 2006-07, New Delhi,
2. Ministry of Finance (2007), "Budget 2007-08: Speech of P. Chidambaram, Minister of Finance", New Delhi, February 28,
3. National Bank for Agriculture and Rural Development (NABARD) (2006), Annual Report 2005-06. , Mumbai.

4. Report of the Advisory Committee on Flow of Credit toAgriculture and Related Activities from the Banking System, Chairman: V. S. Vyas, Mumbai.Reserve Bank of India (RBI) (1991) Report of the Committee on Financial Systems.

Books:

1. Choubey. B. N. (1979), "Principles and Practice of Cooperative Banking in India", Asia
2. Publishing House, Bombay
3. .Jugale (1992), "Cooperative Credit in Indian Agriculture", Mittal Publication, New Delhi
4. Dantwala M.L (1986) "Indian Agricultural Development since Independence-A Collection of Essays", Oxford Publishing Co., New Delhi 10
5. Kewal Kumar(1987), "Institutional Financing of Indian Agriculture with special reference to
6. Commercial Banks", Deep and Deep Publications, New Delhi.
7. Ghosel S.N (1999), "Agricultural Financing in India-with Special Reference to Land M
8. ortgage Banks", Asia Publishing House,Bombay,
9. Desai. S.S.M (1990), "Agriculture and Rural Banking in India", Himalaya Publishing House Bombay, Third Revised Edition.
10. Ramachandran, V. K. and Swaminathan, Madhura (eds.) (2005) Financial Liberalisation and Rural Credit in India, Tulika Books, New Delhi.
11. Ramakumar, R and Chavan, Pallavi (2007) "Revival of Agricultural Credit in the 2000s: An
12. Explanation," Economic and Political Weekly, 42 (52) December 29, pp. 57-64.

Websites:

- http://agricoop.nic.in/AnnualReport06-07/AGRICULTURAL%20CREDIT.pdf. at http://indiabudget.nic.in/ub2007-08/bs/speecha.htm.

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

FRDI Bill – Impact on Banking Sector in India

Dr. T. SESHAIAH
Asst Prof in Economics Science College
Warangal Urban, Telangana.

Dr. PASHIKANTI OMKAR
Asst Prof in Economics
University Post Graduate College for University
Women's Kakatiya University, Warangal,
Arts & Science College (K U).Warangal,

Abstract: *The present paper principle objective is Financial Resolution and Deposit Insurance (FRDI Bill) impact on banking sector in India. The FRDI Bill, introduced in the Lok Sabha in August 2017, is to provide a framework for the resolution of failures of financial institutions, covering the entire financial sector in India. The bill seeks to establish an all-encompassing Resolution Corporation (RC), which will have powers to acquire and transfer the assets or even liquidate any financial service provider in the case of its probable failure be it a commercial, regional or cooperative bank, an insurance company, a payment system operator, a Non-Banking Financial Company (NBFC), a mutual or pension fund, or a securities firm. The FRDI Bill also seeks to repeal the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act, 1961 and delegate to the RC, the powers of insuring deposits, collecting premium, and compensating depositors of an insured service provider in case of liquidation. The FRDI Bill was supposed to be an upgrade an old, outmoded deposit insurance scheme run by the Deposit Insurance and Credit Guarantee Corporation set up by an eponymous Act in 1961. The bail-in is the latest example of the new approach to bank resolution that emerged after the global credit crisis of 2008, ostensibly to replace bail-outs funded by governments. It's been a few days since the level of public concern has risen, but the Government assurances that common folk's savings are safe seem to lack conviction. Blame the lack of detail in the relevant provisions of the bill, which is resoundingly silent on whether customer deposits at banks will also be subjected to bail-in conditions, and are likely to be frozen in the event of a bank failure. The last attempt to use the bail-in approach was in Cyprus in March 2013 Cyprus' economy declined and fell after the Greek crisis that roiled Europe in 2011 and 2012. The failure of its second largest bank led to customers with over €100,000 as deposits losing 40 to 60 percent of those deposits. Key words: Introduction of FRDI Bill, impact on banking sector, major issues and challenges in India*

Keywords: *FRDI, DICGC*

1. INTRODUCTION:

The Financial Resolution and Deposit Insurance (FRDI Bill) intends to amend around 20 of these legislations, listed in Schedule IV of the bill in order to bring the resolution function in the case of failure of any financial entity under the single umbrella of the RC. The management of the proposed RC will comprise of a chairperson, an ex officio member from the union finance ministry, one ex officio member each from the Reserve Bank of India (RBI) for the banks and the NBFCs, the Insurance Regulatory and Development Authority (IRDA) for the insurance sector, the Securities and Exchange Board of India (SEBI), Pension Fund Regulatory and Development Authority (PFRDA) three members nominated by the central government and two independent members. Sections 36 and 37 of the bill provides that the RC will, in consultation with the extant regulators, lay down an objective criteria to classify all financial service providers into five categories of risks to viability low, moderate, material, imminent, and critical based on their capital adequacy, asset quality, management capability, earnings, leverage, and so on. Once a service provider comes under the purview of the RC, its performance will be subject to periodic review and inspections by the RC in order to assess whether it breaches the critical risk to viability criteria. In the case of a difference of opinion between the appropriate regulator and the RC, there are provisions mandating consultations, but the power of final determination rests with the RC. The FRDI Bill provides a framework for resolution mechanism of certain specified categories of financial service providers and establishment of Resolution Corporation in order to have the stability and resilience of the financial system in the country. The FRDI Bill is to ensure an early recognition of a financial firm, regulated by RBI, SEBI, IRDA, PFRDA or any other authority as may be notified by the Central Government, which are in financial distress and thus to provide a resolution mechanism to minimize the impact of such financial trouble on the depositors and entire economy of the country. The resolution process of a financial service provider can involve transfer or acquisition of assets, merger or amalgamation with another healthy financial firm, liquidation following the order of the appellate tribunal (National Company Law Tribunal), and also utilisation of new resolution instruments like bail-in and creation of a bridge service provider. The bill also provides for the designation of certain financial service providers as systemically important financial institutions (SIFIs) by the central government, the failure of which may disrupt the entire financial system, given their size, complexity, and inter-connectedness with other financial entities. The RC will have additional powers in respect of such SIFIs, with their risk assessment, restoration, and resolution being subject to more stringent conditions. Presently, the various segments of the large and diverse financial sector in India are regulated by different institutions, like the RBI for the banks and the NBFCs, the IRDA for the insurance sector, the SEBI for securities firms and mutual funds, and the PFRDA for pension funds, all governed by various acts of parliament. The public sector banks (PSBs), which have emerged as the most dominant financial institutions in India since bank nationalisation, with around 70 percent share in total banking assets and above 40 percent share in total financial assets, are governed by separate legislations as are the insurance companies in the public sector.

Resolution in banking sector in India:

Several questions arise regarding the rationale as well as the practicability of such an overhaul of the financial resolution regime in India, which the proposed bill seeks to attain. The official argument that there is no specific, stand-alone law to deal with the failures of financial institutions is not reason enough. In fact, bank nationalisation was initiated in the late 1960s, inter alia, to address the problem of frequent bank failures. Not a single PSB has failed in India since then. Bank failures in the post-liberalisation period have all been of private sector banks, which were compulsorily amalgamated with PSBs to protect the interests of the depositors. The Benares State Bank (BSBL) amalgamated with Bank of Baroda on 19th June 2002 Nedungadi Bank amalgamated with Punjab National Bank on 1st February 2003 Global Trust Bank merged with Oriental Bank of Commerce on 14th August 2004 Ganesh Bank of Kurundwad amalgamated with the Federal Bank Limited on 2nd September 2006 and United Western Bank amalgamated with Industrial Development Bank of India (IDBI) on 3rd October 2006. Only one commercial bank has faced liquidationthe Bank of Karad in 1992. Several small urban and rural cooperative banks have also faced insolvencies, with the RBI cancelling their licences and the DICGC settling the claims of their depositors over time. But the bigger banks as well as the broader financial system in India have been stable over the decades, remaining largely unscathed even during and after the global financial crisis of 2007–08. The DICGC balance sheets over the years clearly show that its outstanding liability arising out of the claims of depositors of failed banks, mostly small urban and rural cooperative banks, had peaked at 6.6 percent of the deposit insurance fund in 2008–09 and has fallen since then to below 1 percent, 2013–14 onwards. The DICGC has accumulated a deposit insurance fund of Rs 70,155 crore till March 2017. If anything, this reflects that bank failures in India have become rarer over time in the recent past. The changes in the resolution regime proposed through the FRDI Bill are clearly not being driven by domestic financial conditions.

2. OBJECTIVES OF THE STUDY:

- To study the ‘FRDI Bill’ and impact on Indian baking sector.
- To find out what are the problems and consequences of FRDI Bill in India.
- To examine the factors that implementing and effective quality of FRDI Bill in India.

3. SCOPE OF THE STUDY:

The present study concentrated on importance of the FRDI Bill and impact on public sector banks in India, and what are the problems and consequences of FRDI Bill in India, the factors that implementing and effective quality of FRDI Bill in India.

4. METHODOLOGY OF THE STUDY:

This paper is based on the exclusively secondary data which data collected various books, articles, publications, magazines, news papers, and the socio economic outlook in India. The paper focused on the FRDI Bill impact on banking sector in India.

5. IMPORTANCE OF THE STUDY:

The FRDI Bill has been enacted for the purpose of providing resolution regime for companies in the financial sector such as banks, insurance companies and financial institutions when such entities face financial crisis. The FRDI Bill will benefit large numbers of retail depositors and customers of financial service providers. The FRDI Bill will decrease the time and costs involved in resolving distressed financial service provider entities. By providing comprehensive resolution mechanism, the FRDI Bill along with the Insolvency and Bankruptcy Code, 2016 will facilitate reducing the NPAs and also maintaining stability in the economy. While trying to set up an omnibus resolution authority with powers to resolve financial institutions across the spectrum, codifying the processes of resolvability assessments, recovery and resolution planning, and incorporating new resolution instruments like bail-in and bridge institutions, the FRDI Bill has basically followed the template set in the FSB's key attributes in to. The FSB's framework of regulatory reform is itself quite problematic. It starts with the premise that the financial crisis resulted primarily because of the moral hazard problem associated with too-big-to-fail banks. It has, therefore, identified a set of large global banks and financial entities as globally-systemically important financial institutions, imposed higher capital standards for them and has put in place a system of monitoring their performance on a regular basis. The preamble to the key attributes document states *an effective resolution regime (interacting with applicable schemes and arrangements for the protection of depositors, insurance policy holders and retail investors) should not rely on public solvency support and not create an expectation that such support will be available be credible, and thereby enhance market discipline and provide incentives for market-based solutions.* powers to transfer or sell assets and liabilities; powers to establish a temporary bridge institution powers to write down and convert liabilities (bail-in) power to impose temporary stay on early termination rights resolution powers in relation to holding companies; recovery planning for systemic firms; resolution planning for systemic firms and powers to require changes to firms structure and operations to improve resolvability.

Composition of Assets of the House hold sector in India in Decadal Averages 1980-81 to 2016-17

Sl No	Decades	Currency	Bank Deposits	Life Insurance Fund	Provident and Pension Fund	Shares Debentures	Units of Unit Trust of India
1	1980-81 to 1990-91	11.9	40.3	7.5	17.5	3.9	2.2
2	1990-91 to 1999-2000	10.3	34.7	10.1	18.8	7.0	3.8
3	2000-01 to 2009-10	9.5	44.5	17.1	12.8	4.1	-0.06
4	2010-11 to 2016-17	7	51.9	19.9	14.6	2.8	-

Source: Hand book of statistics on Indian economy, reserve bank of India, 2016-17.

The Indian government is implementing a financial reform agenda in which is suited to the needs of the advanced economies, despite decades of financial globalisation and cross-border capital flows, financial systems across economies still vary quite significantly. While the financial system in North American and European countries is dominated by large private banks and financial institutions, it is the public sector which dominates the financial sector in China, India, and many other developing economies. The crisis that engulfed the financial sectors of the advanced economies after the collapse of the Lehman Brothers in 2008 was an outcome of the inherent problems of a privately owned, market-based, deregulated financial system. The problems afflicting the financial systems of economies like China or India, such as the bad loans accumulation in PSBs, are of a qualitatively different nature. A one-size-fits-all regulatory approach in resolving these distinct problems is bound to fail and backfire. Moreover, the Indian case is also unlike China's, given the vast difference in the size of their state-owned financial institutions. The big four state-owned banks in China, namely the Industrial and Commercial Bank of China, China Construction Bank Corporation, Agricultural Bank of China and the Bank of China, with total assets worth $3.4 trillion, $3 trillion, $2.8 trillion, and $2.6 trillion respectively, have emerged as the four largest banks in the world today, ahead of Japan's Mitsubishi UFJ Financial Group ($2.58 trillion), US' JP Morgan Chase ($2.49 trillion) and UK's HSBC ($2.37 trillion). In contrast, India's largest bank, the state-owned State Bank of India (SBI) ranks 55 among the top 100 global banks with assets worth $493 billion. No other Indian bank appears in the top 100 list. None of the Indian banks appear in the list of 30 Global Systemically Important Banks (G-SIBs), identified by the FSB, which need to maintain higher capital buffers and meet other stringent regulatory benchmarks compared to other banks. Therefore, there is no case for a wholesale emulation of the financial resolution methods and tools of the advanced economy financial systems in India. There are both pros and cons of creating a single authority like the RC to deal with resolution for the entire financial sector, as envisaged in the omnibus FRDI Bill. The FRDI Bill has not addressed these concerns satisfactorily, leaving room for regulatory conflicts and confusion, and the serious concern regarding the creation of an omnibus RC relates to the apprehensions of regulatory capture. Given the diversification of financial conglomerates into sectors like banking, insurance as well as the securities market, a diversity of regulators would perhaps better serve to protect the regulatory processes from the dominance of vested interests, all these concerns need to be addressed and the costs and benefits carefully weighed before affecting an overhaul in the resolution regime in India through the creation of an all-powerful RC. The proposed powers of the RC to deny emoluments and bonuses of employees of a financial service provider under various stages of resolution, to change their service conditions, and even terminate them without recourse to other avenues of justice, needs serious reconsideration since they militate against the hard won rights of the employees.

Deposit Insurance Coverage Limit in India: The most serious drawback of the FRDI Bill lies in the omission of the maximum deposit insurance amount. The DICGC Act, 1961, which the FRDI Bill seeks to repeal, clearly mentions in section 16 (1) that the total amount payable by the DICGC to any one depositor shall not exceed Rs 1, 00,000, with the same section empowering the corporation to raise this aforesaid limit with prior government approval. The maximum insurance amount was Rs 1,500 when the DICGC Act was passed in 1961. This has subsequently been raised five times in the past, the last time being in May 1993. Any government serious about protecting the interests of ordinary depositors would have first and foremost raised this maximum deposit insurance amount, which currently remains at a level fixed almost a quarter century ago. The Federal Deposit Insurance Act of the US not only defines the standard maximum deposit insurance amount as $250,000 (since April 2010) but also provides for an upward revision of the amount adjusting for inflation, every five years. It is remarkable that a government which is keen to emulate the resolution reforms being carried out within the advanced economies like the US, has overlooked this important provision of the US deposit insurance law, which protects the interests of the depositors. Section 29 of the FRDI Bill, in contrast, merely states that the RC will specify the total amount payable with respect to any one depositor in consultation with the appropriate regulator. It is this omission of a specific maximum amount in the FRDI Bill, alongside the provision of bail-in, which has created apprehensions within vast sections of bank customers regarding the security of their deposits. A simple adjustment for retail inflation since 1993 (when the Rs 1 lakh deposit insurance limit was set) for the past 24 years would imply that the limit today should not be less than Rs 5 lakh. A comparison with a few selected countries shows that India deposit insurance coverage limit to per capita income (at purchasing power parity or PPP) ratio is only around 0.2, which is extremely low by global standards. Not only are the limits much higher within the advanced economies, but emerging economies like China, Brazil, and Indonesia have a deposit insurance coverage limit that is almost five, four, and 12 times its per capita income respectively. It is only appropriate that the deposit insurance coverage limit in India be at least twice of its per capita income, which implies enhancing it to Rs 10 lakh. Furthermore, the periodic revision of this amount, adjusting for inflation and per capita income should be mandatory.

The deposit insurance coverage limit at the present low level is that 67 percent of term deposits currently being held in the commercial banks are below Rs 1 lakh and only 1.3 percent of the term deposits are over Rs 15 lakh and hence small depositors are adequately covered under the present coverage limit. This is hardly convincing. First, the suggestion that all depositors with term deposits over Rs 1 lakh are affluent is unacceptable. At the current minimum wage rate of Rs 300 per day for unskilled employees notified by the central labour ministry, the annual income of a family of agricultural workers, who are among the poorest sections of society, would exceed Rs 1 lakh. Second, the issue here is not one of small versus large depositors but of the security of bank deposits as a whole, which have historically been the main vehicle in which financial savings of Indian households are parked. The proportion of bank deposits in the gross financial savings of the household sector was around 40 percent on an average in the 1980s. This had fallen to a decadal average of below 35 percent in the 1990s, with the proportion of shares and debentures and Unit Trust of India (UTI) units increasing from 4 percent and 2.2 percent in the 1980s to 7 percent and 3.8 percent in the 1990s, respectively. After the outbreak of the UTI scam in 2001, however, the proportion of financial savings in shares and debentures fell to 4 percent in the last decade while the proportion of bank deposits increased to almost 45 percent. The current decade has seen a continuation of the same trend, whereby bank deposits have on average comprised over 50 percent of gross financial savings while the proportion of shares and debentures have fallen to below 3 percent. The year 2016-17 has been remarkable because of the extraordinary decision of the government to suddenly withdraw 86 percent of currency notes in circulation of Rs 500 and Rs 1,000 denomination. As a significant shift in financial savings away from currency was forced upon by the government, the proportion of bank deposits in gross financial savings soared to over 60 percent in 2016-17, while that of shares and debentures also increased sharply to 10 percent. The household financial savings behaviour in India over the last two decades clearly shows an increasing preference for bank deposits, making it even more important to ensure the security of those deposits. From the point of view of systemic stability, the trust and confidence of the depositors in the banking system is vital, especially in the Indian context. A significant increase in the deposit insurance coverage limit, particularly at a time when the PSBs have come under stress on account of the accumulation of bad loans over the past decade, would be most appropriate in bolstering depositors’ confidence.

The public ownership of banks has made a big difference, not only in preventing frequent bank failures but also protecting the depositors from failing private banks, through amalgamation/merger with PSBs. While it is at times difficult for the PSBs to match the profitability or service quality of private and foreign banks given the differences in their operational objectives and setting, accountability to the government and the public keeps the PSBs away from risky and speculative financial activities. This is why the confidence of the depositors does not generally erode in the PSBs even with deterioration in bank financials. The RBI has noted that the private sector banks do not enjoy such consumer confidence and during the global financial crisis, deposits migrated from the private sector banks to public sector banks. This led the RBI to conclude that, the predominance of government owned banks in India has contributed to financial stability in the country. However, the Report of Committee to Draft Code on Resolution of Financial Firms has taken a completely contrary view of the matter. It has rather blamed the public ownership of PSBs for the lack of competitive neutrality in the financial sector. *For public sector financial firms, an implicit or explicit guarantee by government, and exemptions from mainstream resolution systems, may be creating a perception of safety in the minds of consumers, and an expectation that they will be insulated from the failure of such* *firms. This has detrimental consequences for competition in the financial system. For instance, in times of crises, there is a flight of funds towards public sector banks and away from private banks, which is a competitive advantage arising solely out of ownership. It is important for competitive neutrality that a level playing field be created between public sector and private sector firms. Among other things, this means application of resolution framework to all financial firms public and private.* This understanding is in line with the report of the Financial Sector Legislative Reforms Commission (FSLRC) headed by B.N.Srikrishna, which had recommended the setting up of a Resolution Corporation in its report submitted in March 2013. The FSLRC had advocated ownership neutrality in the process and choice of tools deployed in the resolution of financial service providers. It is from here that the provisions in the FRDI Bill that seek to amend a gamut of existing legislations governing the SBI, the Life Insurance Corporation (LIC), and other public sector financial institutions have originated.

An approach that seeks to attain neutrality in ownership and competition of financial service providers is fundamentally flawed. Out of the 91,445 bank branches of PSBs in 2017, 32 percent are in rural areas, while 21 percent in metropolitan areas. For the private sector banks, only 20 percent of their branches are in the rural areas, while 30 percent are in metropolitan areas. The shares are similar for the largest banks in each category, the SBI Group and the ICICI. The private sector banks, which accord topmost priority to their profitability, concentrate more on the metropolitan areas to spread their business, while the PSBs with a larger commitment towards financial inclusion have a higher share of bank branches in the rural areas. It should be clear from this that the PSBs and the private banks do not operate with the same objectives. The efforts to increase financial inclusion by opening zero balance accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY) brings out the difference between the PSBs and the private sector banks more sharply. Over 80 percent of such accounts have been opened by the PSBs so far, 16 percent by the regional rural banks (RRBs), and only 3 percent by the private sector banks. If neutrality is not ensured either in terms of their commitment towards financial inclusion or in terms of their operational autonomy vis-à-vis the government, on what basis can neutrality be sought between the PSBs and private banks in competition and financial resolution.

The attempt to attain neutrality between the public sector financial institutions and those in the private sector, by bringing them under a common resolution regime is the most retrograde and impracticable aspect of the FRDI Bill. The PSBs function as the cornerstone of systemic stability as far as the Indian financial system is concerned, a fact that has been noted by the RBI. If the sovereign guarantee for insulating PSBs and other public financial institutions from failures is diluted and the powers to resolve them divested from the government, it will adversely affect the trust and confidence of the depositors in the PSBs and weaken the entire financial system. The controversial bail-in provision also needs to be seen in this context. The RBI working group on the resolution regime, while not rejecting the bail-in mechanism per se, had recommended that deposit liabilities, inter-bank liabilities, and short-term debt be entirely excluded from its purview, because these liabilities if subjected to bail-in can induce financial instability. However, the FRDI Bill ignores that recommendation and only excludes any liability owed by a specified service provider to the depositors to the extent such deposits are covered by deposit insurance Section 52 (7), which implies that deposit amounts over and above the deposit insurance cover limit are included under the bail-in mechanism. Similarly, short-term debt over seven day's maturity and unspecified categories of client assets have also been kept within the bail-in purview. If such provisions are enacted, there can be a serious flight of depositors and creditors away from the PSBs and other public sector financial institutions. None of the emerging or developing economies, which have undertaken resolution reforms, have implemented these risky provisions so far. Even the RBI working group considers such provisions to be hazardous. If the government genuinely intends to create a robust financial resolution regime, which will enhance rather than erode the trust of the public in the financial system, these harmful provisions of the FRDI Bill need to be removed altogether as a prerequisite in the field of banking sector in India.

6. CONCLUSION:

The prime minister Narendra Modi-led NDA government did not have to be on the defensive many a time, in its nearly four-year term. However, in the case of FRDI Bill, 2017, it is not rightly so. The latest Financial Stability Report (Dec' 2017) has reported a 3.3 percent drop in the year-on-year deposit growth for all scheduled commercial banks, cutting across all bank groups, between March and Sep' 2017. This is the worst possible time for the Government to press for the passage of a bill whose provisions can erode the trust and confidence of the depositors in the PSBs and other public sector financial institutions. While the proposed reforms in the financial resolution regimes have been pushed by the advanced economies through the financial security board given their experiences of bank failures and tax-payer funded bailouts following the global financial meltdown of the last decade, such a reform agenda is not grounded in the Indian realities, where the dominance of PSBs had ensured the insulation of the financial system from the vicissitudes of the crisis. Ironically, the FRDI Bill seeks to weaken the same PSBs and public sector financial institutions by diluting their sovereign guarantees and introducing hazardous resolution provisions like bail-in. In order to build a more effective financial resolution regime in India, not only should these potentially destabilising provisions of the FRDI Bill be abandoned, but the deposit insurance cover limit also needs to be enhanced substantially. The desirability of an omnibus resolution corporation requires further debate, in the context of relevant experiences of other emerging and developing countries.

REFERENCES:

1. Economic and political weekly January’ 20. 2018.
2. Data on asset share on public sector banks till end – march 2012. From subbarao. 2013.
3. Report of committee to draft code on resolution of financial firms department of economic affairs ministry of finance. 28. September 2016.
4. See preamble in FSB 2014.
5. Dutt and Sundaram, latest economy of India, 2017.

National Seminar (MIBS - 2018)
MODERN INITIATIVES IN BANKING SECTOR – STRATEGIC PERSPECTIVES
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

A STUDY ON FACTORS AND THEORIES OF JOB SATISFACTION

Dr. K. Ailaiah
Dept. of Sociology
Kakatiya University, Warangal, TS.

Sathuri Raghu
Dept. of Sociology
Kakatiya University, Warangal, TS.

Abstract: *Job satisfaction or employee satisfaction has been defined in many different ways. Some believe it is simply how content an individual is with his or her job, in other words, whether or not they like the job or individual aspects or facets of jobs, such as nature of work or supervision. Others believe it is not as simplistic as this definition suggests and instead that multidimensional psychological responses to one's job are involved. Researchers have also noted that job satisfaction measures vary in the extent to which they measure feelings about the job (affective job satisfaction) or cognitions about the job (cognitive job satisfaction). Job satisfaction can also be seen within the broader context of the range of issues which affect an individual's experience of work, or their Job satisfaction can be understood in terms of its relationships with other key factors, such as general well-being, stress at work, control at work, home-work interface, and working conditions.*

A study title "Analysis of Factors Affecting Job Satisfaction of the Employees in Public and Private Sector", in India concluded that in India Employees tend to love their job if they get what they believe is an important attribute of a good job. Weight age factor of each such attribute based on exhaustive survey has been calculated. Region, sector and gender wise study of job satisfaction has provided consistent picture with respect to distribution of data set analyzed showed that most of the employees in Indian industry are not satisfied with their job except for a few like male in commerce sector and female in education sector. Total job satisfaction level of males is found to be higher than that of woman. Total job satisfaction level in manufacturing sector is found to be very low.

Keywords: *Job satisfaction, employee, personality, genetics,*

1. INTRODUCTION:

Job satisfaction or employee satisfaction has been defined in many different ways. Some believe it is simply how content an individual is with his or her job, in other words, whether or not they like the job or individual aspects or facets of jobs, such as nature of work or supervision. Others believe it is not as simplistic as this definition suggests and instead that multidimensional psychological responses to one's job are involved. Researchers have also noted that job satisfaction measures vary in the extent to which they measure feelings about the job (affective job satisfaction) or cognitions about the job (cognitive job satisfaction). Job satisfaction can also be seen within the broader context of the range of issues which affect an individual's experience of work, or their Job satisfaction can be understood in terms of its relationships with other key factors, such as general well-being, stress at work, control at work, home-work interface, and working conditions.

The concept of job satisfaction has been developed in many ways by many different researchers and practitioners. One of the most widely used definitions in organizational research is that of Locke (1976), who defines job satisfaction as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences". Others have defined it as simply how content an individual is with his or her job; whether he or she likes the job or not. It is assessed at both the global level (whether or not the individual is satisfied with the job overall), or at the facet level (whether or not the individual is satisfied with different aspects of the job). Spector (1997) lists 14 common facets: Appreciation, Communication, Coworkers, Fringe benefits, Job conditions, Nature of the work, Organization, Personal growth, Policies and procedures, Promotion opportunities, Recognition, Security, and Supervision.

The assessment of job satisfaction through employee anonymous surveys became commonplace in the 1930s. Although prior to that time there was the beginning of interest in employee attitudes, there were only a handful of studies published. Latham and Budworth note that Uhrbrock in 1934 was one of the first psychologists to use the newly developed attitude measurement techniques to assess factory worker attitudes. They also note that in 1935

Hoppock conducted a study that focused explicitly on job satisfaction that is affected by both the nature of the job and relationships with coworkers and supervisors.

A more recent definition of the concept of job satisfaction is from Hulin and Judge (2003), who have noted that job satisfaction includes multidimensional psychological responses to an individual's job, and that these personal responses have cognitive (evaluative), affective (or emotional), and behavioral components. Job satisfaction scales vary in the extent to which they assess the affective feelings about the job or the cognitive assessment of the job. Affective job satisfaction is a subjective construct representing an emotional feeling individuals have about their job. Hence, affective job satisfaction for individuals reflects the degree of pleasure or happiness their job in general induces. Cognitive job satisfaction is a more objective and logical evaluation of various facets of a job. Cognitive job satisfaction can be unidimensional if it comprises evaluation of just one facet of a job, such as pay or maternity leave, or multidimensional if two or more facets of a job are simultaneously evaluated. Cognitive job satisfaction does not assess the degree of pleasure or happiness that arises from specific job facets, but rather gauges the extent to which those job facets are judged by the job holder to be satisfactory in comparison with objectives they themselves set or with other jobs. While cognitive job satisfaction might help to bring about affective job satisfaction, the two constructs are distinct, not necessarily directly related, and have different antecedents and consequences.

A study title "Analysis of Factors Affecting Job Satisfaction of the Employees in Public and Private Sector", in India concluded that in India Employees tend to love their job if they get what they believe is an important attribute of a good job. Weight age factor of each such attribute based on exhaustive survey has been calculated. Region, sector and gender wise study of job satisfaction has provided consistent picture with respect to distribution of data set analyzed showed that most of the employees in Indian industry are not satisfied with their job except for a few like male in commerce sector and female in education sector. Total job satisfaction level of males is found to be higher than that of woman. Total job satisfaction level in manufacturing sector is found to be very low.

2. OBJECTIVES:

The objectives of the present paper are as follows:

- To study about Influencing factors of job satisfaction
- To discuss about Environmental Factors of job satisfaction
- To know about individual factors of job satisfaction
- To know about different theories of job satisfaction

3. METHODOLOGY:

The present paper describes on **'A Study on Factors and Theories of Job Satisfaction'.** The Data of the current study were collected through secondary sources. Secondary data required for the study have been collected from numerous books, journals, news papers and websites.

Influencing factors:

The influencing factors of job satisfaction are as follows:

Environmental Factors:

One of the most important aspects of an individual's work in a modern organization concerns the management of communication demands that he or she encounters on the job. Demands can be characterized as a communication load, which refers to "the rate and complexity of communication inputs an individual must process in a particular time frame." Individuals in an organization can experience communication over-load and communication under- load which can affect their level of job satisfaction. Communication overload can occur when "an individual receives too many messages in a short period of time which can result in unprocessed information or when an individual faces more complex messages that are more difficult to process." Due to this process, "given an individual's style of work and motivation to complete a task, when more inputs exist than outputs, the individual perceives a condition of overload which can be positively or negatively related to job satisfaction. In comparison, communication under load can occur when messages or inputs are sent below the individual's ability to process them."According to the ideas of communication over-load and under-load, if an individual does not receive enough input on the job or is unsuccessful in processing these inputs, the individual is more likely to become dissatisfied, aggravated, and unhappy with their work which leads to a low level of job satisfaction.

Superior-Subordinate Communication:

Superior-subordinate communication is an important influence on job satisfaction in the workplace. The way in which subordinates perceive a supervisor's behavior can positively or negatively influence job satisfaction. Communication behavior such as facial expression, eye contact, vocal expression, and body movement is crucial to the superior-subordinate relationship (Teven, p. 156). Nonverbal messages play a central role in interpersonal interactions with respect to impression formation, deception, attraction, social influence, and emotional. Nonverbal immediacy from the supervisor helps to increase interpersonal involvement with their subordinates impacting job satisfaction. The manner in which supervisors communicate with their subordinates non-verbally may be more important than the verbal content (Teven, p. 156). Individuals who dislike and think negatively about their supervisor are less willing to communicate or have motivation to work whereas individuals who like and think positively of their supervisor are more likely to communicate and are satisfied with their job and work environment. A supervisor who uses nonverbal immediacy, friendliness, and open communication lines is more likely to receive positive feedback and high job satisfaction from a subordinate. Conversely, a supervisor who is antisocial, unfriendly, and unwilling to communicate will naturally receive negative feedback and create low job satisfaction in their subordinates in the workplace.

Strategic Employee Recognition:

A Watson Wyatt Worldwide study identified a positive outcome between a collegial and flexible work environment and an increase in shareholder value suggesting that employee satisfaction is directly related to financial gain. Over 40 percent of the companies listed in the top 100 of Fortune magazines, "America's Best Companies to Work For" also appear on the Fortune 500. It is possible that successful workers enjoy working at successful companies, however, the Watson Wyatt Worldwide Human Capital Index study claims that effective human resources practices, such as employee recognition programs, lead to positive financial outcomes more often than positive financial outcomes lead to good practices.

Employee recognition is not only about gifts and points. It's about changing the corporate culture in order to meet goals and initiatives and most importantly to connect employees to the company's core values and beliefs. Strategic employee recognition is seen as the most important program not only to improve employee retention and motivation but also to positively influence the financial situation. The difference between the traditional approach (gifts and points) and strategic recognition is the ability to serve as a serious business influencer that can advance a company's strategic objectives in a measurable way. "The vast majority of companies want to be innovative, coming up with new products, business models and better ways of doing things. However, innovation is not so easy to achieve. A CEO cannot just order it, and so it will be. You have to carefully manage an organization so that, over time, innovations will emerge."

Individual factors:

We may discuss the individual factors which influence the job satisfaction as follows.

Emotion:

Mood and emotions at work are related to job satisfaction. Moods tend to be longer lasting but often weaker states of uncertain origin, while emotions are often more intense, short-lived and have a clear object or cause. Some research suggests moods are related to overall job satisfaction Positive and negative emotions were also found to be significantly related to overall job satisfaction. Frequency of experiencing net positive emotion will be a better predictor of overall job satisfaction than will intensity of positive emotion when it is experienced.

Emotion work (or emotion management) refers to various types of efforts to manage emotional states and displays. Emotion management includes all of the conscious and unconscious efforts to increase, maintain, or decrease one or more components of an emotion. Although early studies of the consequences of emotional work emphasized its harmful effects on workers, studies of workers in a variety of occupations suggest that the consequences of emotional work are not uniformly negative. It was found that suppression of unpleasant emotions decreases job satisfaction and the amplification of pleasant emotions increases job satisfaction.

The understanding of how emotion regulation relates to job satisfaction concerns two models:

1. **Emotional dissonance:** Emotional dissonance is a state of discrepancy between public displays of emotions and internal experiences of emotions that often follows the process of emotion regulation. Emotional dissonance is associated with high emotional exhaustion, low organizational commitment, and low job satisfaction.
2. **Social interaction model**: Taking the social interaction perspective, workers' emotion regulation might beget responses from others during interpersonal encounters that subsequently impact their own job satisfaction. For example: The accumulation of favorable responses to displays of pleasant emotions might positively affect job satisfaction.

Genetics:

The influence that genetics has had on a variety of individual differences is well documented. Some research suggests genetics also play a role in the intrinsic, direct experiences of job satisfaction like challenge or achievement (as opposed to extrinsic, environmental factors like working conditions). One experiment used sets of monozygotic twins, reared apart, to test for the existence of genetic influence on job satisfaction. While the results indicate the majority of the variance in job satisfaction was due to environmental factors (70%), genetic influence is still a minor factor. Genetic heritability was also suggested for several of the job characteristics measured in the experiment, such as complexity level, motor skill requirements, and physical demands.

Personality:

Some research suggests an association between personality and job satisfaction. Specifically, this research describes the role of negative affectivity and positive affectivity. Negative affectivity is related strongly to the personality trait of neuroticism. Individuals high in negative affectivity are more prone to experience less job satisfaction. Positive affectivity is related strongly to the personality trait of extraversion. Those high in positive affectivity are more prone to be satisfied in most dimensions of their life, including their job. Differences in affectivity likely impact how individuals will perceive objective job circumstances like pay and working conditions, thus affecting their satisfaction in that job.

There are two personality factors related to job satisfaction, alienation and locus of control. Employees who have an internal locus of control and feel less alienated are more likely to experience job satisfaction, job involvement and organizational commitment. A meta-analysis of 187 studies of job satisfaction concluded that high satisfaction was positively associated with internal locus of control. The study also showed characteristics like high machiavellianism, narcissism, trait anger, type A personality dimensions of achievement striving and impatience/irritability, are also related to job satisfaction.

Theories of job satisfaction:

Job satisfaction theories have a strong overlap with theories explaining human motivation. The most common and prominent theories in this area include: Maslow's needs hierarchy theory; Herzberg's motivator-hygiene theory; the Job Characteristics Model; and the dispositional approach. These theories are described and discussed below.

Hierarchy of needs:

Although commonly known in the human motivation literature, Maslow's needs hierarchy theory was one of the first theories to examine the important contributors to job satisfaction. The theory suggests that human needs form a five-level hierarchy consisting of: physiological needs, safety, belongingness/love, esteem, and self-actualization. Maslow's hierarchy of needs postulates that there are essential needs that need to be met first (such as, physiological needs and safety), before more complex needs can be met (such as, belonging and esteem).

Maslow's Hierarchy Theory:

Maslow's needs hierarchy was developed to explain human motivation in general. However, its main tenants are applicable to the work setting, and have been used to explain job satisfaction. Within an organisation, financial compensation and healthcare are some of the benefits which help an employee meet their basic physiological needs. Safety needs can manifest itself through employees feeling physically safe in their work environment, as well as job security and/ or having suitable company structures and policies. When this is satisfied, the employee's can focus on feeling as though they belong to the workplace. This can come in the form of positive relationships with colleagues and supervisors in the workplace, and whether or not they feel they are a part of their team/ organisation. Once satisfied, the employee will seek to feel as though they are valued and appreciated by their colleagues and their organisation. The final step is where the employee seeks to self-actualize; where they need to grow and develop in order to become everything they are capable of becoming. Although it could be seen as separate, the progressions from one step to the next all contribute to the process of self-actualisation. Therefore, organisations looking to improve employee job satisfaction should attempt to meet the basic needs of employees before progressing to address higher-order needs. However, more recently this approach is becoming less popular as it fails to consider the cognitive process of the employee and, in general, lacks empirical supporting evidence. In addition, others have found fault with the final stage of self-actualisation. The lack of a clear definition and conceptual understanding of self-actualization, paired with a difficulty of measuring it, makes it difficult to measure what the final goal is or when it has been achieved.

Motivator-Hygiene Theory:

Herzberg's motivator-hygiene theory suggests that job satisfaction and dissatisfaction are not two opposite ends of the same continuum, but instead are two separate and, at times, even unrelated concepts. 'Motivating' factors like pay and benefits, recognition and achievement need to be met in order for an employee to be satisfied with work. On the other hand, 'hygiene' factors (such as, working conditions, company policies and structure, job security, interaction with colleagues and quality of management) are associated with job dissatisfaction.

Because both the hygiene and motivational factors are viewed as independent, it is possible that employees are neither satisfied nor dissatisfied. This theory postulates that when hygiene factors are low the employee is dissatisfied, but when these factors are high it means the employee is not dissatisfied (or neutral), but not necessarily satisfied. Whether or not an employee is satisfied is dependent on the motivator factors. Moreover, it is thought that when motivators are met the employee is thought to be satisfied. This separation may aid in accounting for the complexity of an employee's feelings, as they might not feel both satisfied and dissatisfied at the same time; or neither satisfied nor dissatisfied.

Whilst the Motivator-Hygiene theory was crucial in first distinguishing job satisfaction from dissatisfaction, the theory itself has received little empirical support. Herzberg's original study [13] has been criticised for having been conducted with a weak methodology. As a result, subsequent attempts to test this theory have obtained mixed results with some researchers supporting it and others not.

Affect Theory:

Edwin A. Locke's Range of Affect Theory (1976) is arguably the most famous job satisfaction model. The main premise of this theory is that satisfaction is determined by a discrepancy between what one wants in a job and what one has in a job. Further, the theory states that how much one values a given facet of work (e.g. the degree of autonomy in a position) moderates how satisfied/dissatisfied one becomes when expectations are/aren't met. When a person values a particular facet of a job, his satisfaction is more greatly impacted both positively (when expectations are met) and negatively (when expectations are not met), compared to one who doesn't value that facet. To illustrate, if Employee A values autonomy in the workplace and Employee B is indifferent about autonomy, then Employee A would be more satisfied in a position that offers a high degree of autonomy and less satisfied in a position with little or no autonomy compared to Employee B. This theory also states that too much of a particular facet will produce stronger feelings of dissatisfaction the more a worker values that facet.

Equity Theory:

Equity Theory shows how a person views fairness in regard to social relationships such as with an employer. A person identifies the amount of input (things gained) from a relationship compared to the output (things given) to produce an input/output ratio. They then compare this ratio to the ratio of other people in deciding whether or not they have an equitable relationship. Equity Theory suggests that if an individual thinks there is an inequality between two social groups or individuals, the person is likely to be distressed because the ratio between the input and the output are not equal. For example, consider two employees who work the same job and receive the same pay and benefits. If one individual gets a pay raise for doing the same work as the other, then the less benefited individual will become distressed in his workplace. If, on the other hand, both individuals get pay raises and new responsibilities, then the feeling of equity will be maintained. Other psychologists have extended the equity theory, suggesting three behavioral response patterns to situations of perceived equity or inequity (Huseman, Hatfield, & Mile, 1987; O'Neil & Mone 1998). These three types are benevolent, equity sensitive, and entitled. The level by each type affects motivation, job satisfaction, and job performance.

Discrepancy theory:

The concept of discrepancy theory is to explain the ultimate source of anxiety and dejection. An individual who has not fulfilled his responsibility feels the sense of anxiety and regret for not performing well. They will also feel dejection due to not being able to achieve their hopes and aspirations. According to this theory, all individuals will learn what their obligations and responsibilities are for a particular function, and if they fail to fulfill those obligations then they are punished. Over time, these duties and obligations consolidate to form an abstracted set of principles, designated as a self-guide. Agitation and anxiety are the main responses when an individual fails to achieve the obligation or responsibility. This theory also explains that if achievement of the obligations is obtained then the reward can be praise, approval, or love. These achievements and aspirations also form an abstracted set of principles, referred to as the ideal self guide. When the individual fails to obtain these rewards, they begin to have feelings of dejection, disappointment, or even depression.

Job Characteristics Model:

The Job Characteristics Model (JCM) explains that job satisfaction occurs when the work environment encourages intrinsically motivating characteristics. Five key job characteristics: skill variety, task identity, task significance, autonomy and feedback, influence three psychological states (Figure 3). Subsequently, the three psychosocial states then lead to a number of potential outcomes, including: job satisfaction. Therefore from an organisations' point of view, it is thought that by improving the five core job dimensions this will subsequently lead to a better work environment and increased job satisfaction.

Unlike the Maslow or Herzberg's theories, the JCM has received more empirical support. However, it has also drawn criticism as many studies utilising this model investigate the direct impact core job dimensions have on personal and work outcomes, completely disregarding the critical psychological states. Despite this, the JCM and its impact on job satisfaction has been the subject of three reviews, which further lend support to the model. Further to this, Behson and colleagues' meta-analysis of 13 studies specifically focused on the role of critical psychological states, and found these psychological states to play a crucial practical and theoretical role within the JCM.

Dispositional Approach:

This dispositional approach suggests that job satisfaction is closely related to personality. It postulates that an individual has a strong predisposition towards a certain level of satisfaction, and that these remain fairly constant and stable across time . The evidence for this approach can be divided into indirect studies and direct studies. Judge and colleagues have reviewed these areas in greater detail. The indirect evidence comes from studies that do not explicitly measure personality. Data from the National Longitudinal Studies in the United States found that measures of job satisfaction tend to remain fairly stable over 2, 3 and 5 year periods This even includes significant employment changes, such as: changes in employer or occupation. Interestingly, a twin based study examined 34 twins whom had been raised independently of one another. This study found genetic factors accounted for 30% of job satisfaction levels when assessed in later life.

The indirect studies, however, are vulnerable to a number of important criticisms, namely that other unaccounted factors might be contributing to job satisfaction levels. This highlights the respective importance of studies directly assessing the role of personality. Most prominently, there is research evidence that self-esteem, self-efficacy, emotional stability and locus of control comprise a broad personality construct, which contribute to how an individual sees themselves. A review of 169 correlations between each of four affective constructs (i.e., self-esteem, self-efficacy, emotional stability and locus of control) and job satisfaction, found that as self-reported levels of self-esteem, self-efficacy, emotion stability and locus of control increased so did job satisfaction. Similarly, investigations into the link between the five factor model of personality and job satisfaction revealed neuroticism, conscientiousness and extraversion to have a moderate relationships with job satisfaction.

4. CONCLUSION

Considering that job satisfaction impacts every employee across the globe it is hardly surprising that it has received a lot of attention in the research literature. However, this has lead to a large number of definitions, theories and measures. At a European level the focus has been less about these traditional theories of job satisfaction. Instead job satisfaction is typically examined as a consequence of workplace stress and the job demand-control model. Despite this, all together they are important in providing not only a better understanding of this concept, but as a resource where job satisfaction can be best understood and measured in different situations. Care also needs to be taken as there are also numerous ill fitting theories and measurements which can harm our understanding of job satisfaction. It is also important to be aware on how job satisfaction impacts on worker health and productivity, which is explored further in the Job satisfaction: evidence for impact on reducing psychosocial risks article.

REFERENCES

1. Herzberg, F., Work and the Nature of Man. Cleveland, World Publishing Company, 1966.
2. King, N., ‘Clarification and evaluation of the two factor theory of job satisfaction’, Psychological Bulletin, 1970
3. Lu, H., While, A.E. & Barriball, K.L., ‘Job satisfaction among nurses: a literature review’, International Journal of Nursing Studies, 2005.
4. Luthans, F., Organisational Behaviour (6th Edition). New York, McGraw-Hill, 1992.
5. Maslow, A., Motivation and Personality, New York, Harper, 1995.
6. Nagy, M.S., ‘Using a single-item approach to measure facet job satisfaction’, Journal of Occupational and Organisational Psychology, 2002.
7. Riordan, D.M. & Vandenberg, R.J., ‘A central question in cross-cultural research: Do employees of different cultures interpret work-related measures in an equivalent manner?’, Journal of Management, 20, 1994,
8. Spector, P.E., Job satisfaction: Application, assessment, causes, and consequences, London: Sage, 1997.
9. Taber, T.D. & Alliger, G.M., ‘A task-level assessment of job satisfaction’, Journal of Organisational Behaviour, 1995.
10. Van Saane, N., Sluiter, J.K., Verbeek, J.H.A.M. & Frings-Dresen, M.H.W., ‘Reliability and validity of instruments measuring job satisfaction- a systematic review’, Occupational Medicine, 2003.

INTERNATIONAL JOURNAL OF RESEARCH CULTURE SOCIETY ISSN: 2456-6683 Special Issue - 13, Apr - 2018
UGC Approved Monthly, Peer-Reviewed, Refereed, Indexed Journal Impact Factor: 3.449 Publication Date: 22/04/2018

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

IMPACT OF NON-PERFORMING ASSETS ONPROFITABILITY OF COMMERCIAL BANKS IN INDIA: A PANEL DATA ANALYSIS

Dr. P. AMARAVENI
Asst. Professor, Dept. of Commerce & Business Management K.U

MULUKALAPALLY SUSRUTH
Research Scholar, Dept. of Commerce & Business Management, K.U

Abstract: *One of the major challenges for the Indian banking system is to address the NPA issue which has also affected the profitability of banks besides coming in the way of future bank lending as banks have been cautious while lending especially for long term purposes. This paper seeks to analyze the relationship between Non-performing assets and profitability of commercial banks in India.This study includes six banks namely, State bank of India, Punjab national bank, Andhra bank ,ICICI bank, Axis bank and Yes bank over a 5-year period (2013-2017) by using panel data approach. The results analyzed based upon random effect model which is more dynamic than pooled OLS and fixed effect model. In case of random effect model, Return on assets, Inflation rate and Real interest rate (H1, H3, and H4) is significant at 5% level but Return on Equity (H2) is not significant at any level. Hence random effect model is preferred model as per Hausman test while Return on assets, Inflation rate and Real interest rate are concluding to the fact that these variables are significant ones having an influence on non-performing assets. Return on assets, Inflation rate and real interest rate are significant negatively related to non-performing assets but return on equity has a non-significant negative impact on the NPA.*

Key words: *profitability, Non-performance assets, Panel data analysis, Random effect model*

1. INTRODUCTION

Increasing of Non- Performing assets is an obstacle for the economy. The development of the nation depends upon sound financial institutions existence in the economy. The quality in the working of financial sector truly impacts the profitability of the banks which as a whole impact the economy and GDP of a country. Profit of an enterprise refers to the total income earned by it during the specified period of time, while the profitability refers to the operating efficiency of the enterprise. In recent years, Non-performing assets (NPAs) have emerged as a major headache for the government and the Reserve Bank of India (RBI). Clearly, both the RBI and government woke up to the problem too late. The government has so far failed to infuse the required capital for state-run banks**.**

According to RBI, An asset becomes non-performing when it ceases to generate income for the bank. Earlier an asset was considered as non-performing asset (NPA) based on the concept of 'Past Due'. A ‘non performing asset’ (NPA) was defined as credit in respect of which interest and/or installment of principal has remained ‘past due’ for a specific period of time.

The issue of non-performing assets (NPAs) came into existence in 1992 and its absolute amount is increasing continuously from Rs.39253 crore in1993 to Rs.48406 crore in 2006 (FICCI 1999[1]) indicates poor quality in recovery management and high degree of riskiness in the credit-portfolio of the public banks, resulted adverse impact on profitability of banks (Kaveri1995[2] and RBI 1999[3]). Among the major public sector banks, State Bank of India (SBI) had the highest amount of NPAs at over Rs 1.86 lakh crore followed by Punjab National Bank (Rs 57,630 crore), Bank of India (Rs 49,307 crore), Bank of Baroda (Rs 46,307 crore), Canara Bank (Rs 39,164 crore) and Union Bank of India (Rs 38,286 crore). Among private sector lenders, ICICI Bank had the highest amount of NPAs on its books at Rs 44,237 crore by the end of September 30, 2017, followed by Axis Bank (Rs 22,136 crore), HDFC Bank (Rs 7,644 crore) and Jammu and Kashmir Bank (Rs 5,983 crore).

2. LITERATURE REVIEW

There is a number of studies on the profitability of banks. Some studies are country specific and few of them have considered panel of countries for reviewing the determinants of profitability. Some studies specify return on assets (ROA) and return on equity (ROE) as profitability indicators and to find their determinants the internal and external factor variables have been considered.

Kiran and Jones[4] (2016), conducted a study to measure the effects of Non-performing asset on the profitability of the banks. The study was based on the secondary data of five public sector banks for the period 2004 to 2015. It was found from the study that there is a significant negative correlation between net profits and NPA of the banks. Only SBI bank has shown continuous improvement in net profits even after increasing trend of NPA.

Goddard, et al.[5] (2004) analyzed Profitability of 625 banks operating in Denmark, France, Germany, Italy, Netherlands, Spain and England . In the study covering the period 1992-1998, it was seen that there is no statistically significant relationship for all countries between size and profitability and ownership structure and profitability. Furthermore, it was found out that the relationship between off-balance sheet transactions and profitability is negative in Germany, positive in England and does not exist in other countries. Lastly, it was determined that the effect of capital upon profitability is positive for all countries.

Guneş, Nizamulmulk[6] (2014) analyzed profitability of banks in Turkish for the periods of 199.-1999 by using panel data approach. The analysis results indicate that capital and liquidity are the most important variables for ROA. In addition to that, it is reached that it is ensuring the efficiency in cost management for 1990-1990 period, keeping loans under follow at a low level and risk management make a positive impact on profitability.

Adwaita Maiti and Sebak Kumar Jana[7] (2017) aims to find the determinants of five major bank groups in India namely, State Bank of India &its Associates, Nationalized Banks, New Private Sector Banks, Old Private Sector Banks and Foreign Banks, consisting a total of 75 banks. This paper uses panel data regression method to investigate the impact of various internal factors on profitability of banks. The empirical results have found strong evidence that profit per employee, net interest margin, net non-performing assets ratio and non-interest income have a significant impacts on the profitability for all bank groups.

Washeka Anjom and Asif [8](2016) had attempted an empirical analysis of the non-performing loans of a SAARC country such as Bangladesh and investigated the response of non-performing loans to macroeconomic with bank specific factors with multiple regression and correlation matrix analysis. This study shows how non-performing loans response with the changes of the bank specific factors such as growth in loan, return on equity, return on assets, loan to asset ratio, loan to deposit ratio, Total capital to total asset ratio, operating expense to operating income ratio, total liabilities to total asset ratio, non-interest income to total income ratio.

3. OBJECTIVES OF THE STUDY

- To measure the impact of Non-performing assets on the profitability of commercial banks in India.
- To find out the significant profitability parameters affecting Non-Performing Assets.
- To find out the direction of relationship between Non-Performing Assets and profitability parameters.

4. RESEARCH HYPOTHESES

To study the relationship between Non-performing assets and profitability, the following hypotheses have been proposed:

H1: There is a significant relationship between Non-performing Assets and Return on Assets
H2: There is no significant relationship between Non-performing Assets and Return on Equity.
H3: There is a significant relationship between Non-performing Assets and Inflation rate.
H4: There is a significant relationship between Non-performing Assets and Real Interest rate

5. RESEARCH METHODOLOGY

The study is purely based on the secondary data taken from the annual reports of selected 6 commercial banks This study includes six banks namely, State bank of India, Punjab national bank, Andhra bank, ICICI bank, Axis bank and Yes bank over a 5-year period (2013-2017) by using panel data approach. Panel data regression model is used to measure the impact of NPAs on the profitability of the commercial banks of India. Profitability of the commercial banks has been measured using two different variables namely; Return on assets and Return on equity. The measure for non-performing assets used in the study are namely; Net NPA to Net Advances ratio. Net NPA have been used as dependent variable in the study while measures of profitability have been used as independent variables in the panel data regression model. two variables were used as bank-specific variable out of independent variables, another two variables were used as macroeconomic variable.

6. VARIABLES SPECIFICATION

6.1 DEPENDENT VARIABLES

Non-Performing Assets (NPA): The assets of banks which don't perform are called Non-Performing Assets (NPA) or bad loans. Banks assets are the loans and advances given to customers. If customers don't pay either interest or part of principal or both, the loan turns into NPA. According to RBI, terms loan on which interest or installment of principal remain overdue for a period of more than 90 days from the end of a particular quarter is called a Non-Performing Assets.

Net NPA ratio = (net non-performing assets/Net advances)*100

6.2 INDEPENDENT VARIABLES

i) Return on Assets (ROA)

A key indicator of banks profitability is the return on assets (ROA) which indicate that net profit generated on total assets it is computed by dividing net income by average total assets. It measures of the Ability of the firm to generate returns on its portfolio of assets. The higher the ratio depicts the better utilization of the assets thus higher the profitability.

Return on assets = (Profit after tax/Average total assets)*100.

ii) Return on Equity (ROE)

Return on Equity (ROE) is a ratio relating net profit (net income) to shareholders' equity. Here the equity refers to share capital reserves and surplus of the bank. Return on equity measures bank profitability by revealing how much profit a bank generates with the money shareholders have invested. It reflects how effectively a bank management is utilizing its shareholders' funds. Higher ratio indicates higher profitability of the banks.

Return on equity = (Profit after tax/ (Total equity + Total equity at the end of previous year)/2)*100.

iii) Inflation rate

Inflation being the speed at which the general level of prices of goods and services is on the rise in a country so it therefore reflects the purchasing power of the currency and increases credit rationing, this variable enables an analysis of the environment in which evolves the bank.

iv) Real interest rate

A real interest rate is an interest rate that has been adjusted to remove the effects of inflation to reflect the real cost of funds to the borrower and the real yield to the lender or to an investor. The real interest rate of an investment is calculated as the amount by which the nominal interest rate is higher than the inflation rate:

Real Interest Rate = Nominal Interest Rate - Inflation rate

iv) Model specification

In panel data analysis, primarily it should be evaluated whether the difference between fixed effects parameter estimator and random effects parameter estimators are meaningful or not and choosing one method from fixed effects and random effects models. Hausman test can be utilized for selection of the method (Wooldridge, 2002: 289-290)[9]. The general demonstration of the panel data equality is as follows

$Y_{it} = \alpha + \beta X_{it} + \varepsilon_{it}$

Y_{it} is the dependent variable;

α is the constant;

β is the coefficient of the explanatory variables;

X_{it} is the explanatory variable;

ε_{it} is the error term.

The model which was especially set for Net Non-performing assets as follows;

$\text{NET NPA}_{it} = \alpha + \beta 1{*}ROA_{it} + \beta 2{*}ROE_{it} + \beta 3{*}IR_{it} + \beta 4{*}RIR_{it} + \varepsilon_{it}$

Where Return on Assets which was used as independent variable, was shown as ROA_{it} .

Independent variables which were utilized in the model as indicated as follows;

ROA_{it} = Return on assets

ROE_{it} = Return on equity

IR_{it} = Inflation rate

RIR_{it} = Real interest rate

7. EMPIRICAL ANALYSIS

The summary of the statistics for all the variables used in the model is presented in Table 1. the descriptive statistics namely: mean, median, standard deviation, skewness, minimum and maximum values computed for the sample observation of 6 commercial banks in India for a 5 years period (2013 to 2017) are considered.

Table-1: Descriptive statistics of the variables of all banks

Variables	Mean	Median	Std. Dev.	C.V.	Skewness	Minimum	Maximum
NET NPA	2.5537	2.3050	2.3285	0.91184	1.1377	0.0100	8.6100
ROA	0.91133	0.94500	0.57905	0.63539	-0.43305	-0.5100	1.6300
ROE	11.241	12.555	6.6374	0.59045	-0.83627	-9.4700	22.710
NP	12.212	11.605	8.0566	0.65971	-0.35181	-7.2100	23.600
IR	5.6800	4.9000	2.0028	0.35261	1.1189	3.8000	9.4000
RIR	6.0900	5.8600	1.4344	0.23554	-0.17317	3.8700	8.0800

Source: Calculated figures by using XL STATA

8. VARIANCE INFLATION FACTOR (VIF)

Before doing panel regression model estimation, it is generally assumed that the independent variables are independent among them, only Y may depend on other variables. The VIF test shows whether the panel regression model hypothesis is respected. VIF above 10 shows the existence of multicollinearity. If the VIF of a variable exceeds 10, that variable is said to be highly collinear but a cut off of 5 is commonly used. In this study a cut off of 10 is used.

Table-2: VIF test result

Variable	VIF	1/VIF
ROE	6.487	0.154
ROA	7.57	0.132
IR	2.311	0.432
RIR	1.734	0.576
MEAN VIF	4.53	

Source: Calculated figures by using XL STATA

The result of VIF test is acceptable which means there is no multicollinearity in the model.

After testing the multicollinearity which is used in the study and the descriptive statistic, Hausman test was utilized in order to determine of using the fixed effect model or random effects model and the Breusch-Pagan lagranger multiplier test (LM) helps to decide between a regression by random effects and a simple regression of the OLS. The test results are shown in Table 3.

Table -3: Hausman test and LM test results

Test	NET NPA	p-value	Fit model
Hausman test	4.7206	0.0943	REM
LM test	0.2775	0.5983	Pooled OLS

Source: Calculated figures by using XL STAT

Table -4: Estimation Results of Panel Regression Model (Pooled OLS)

Dependent variable NET NPA	Co-efficient of correlation	Std.error	t-ratio	p-value
Constant	9.55	1.47	6.49	8.36e-07
ROA	-1.67	0.76	-2.18	0.038**
ROE	-0.15	0.07	-2.16	0.039**
IR	-0.25	0.13	-1.92	0.065*
RIR	-0.37	0.15	-2.33	0.027**
Mean dependent var	2.55	S.D. dependent var		2.32
Sum squared residual	21.95	S.E. of regression		0.93
R-squared	0.860	Adjusted R squared		0.83
F(4, 25)	38.50	P-value(F)		2.42e
Log-likelihood	-37.88	Akaike criterion		85.77
Schwarz criterion	92.78	Hannan-Quinn		88.01
rho	0.35	Durbin-watson		1.04

Note: * means statistically significant at 1% level
** means statistically significant at 5% level
*** means statistically significant at 10% level
Source: Calculated figures by using XL STATA

The Breusch-Pagan lagranger multiplier test (LM) helps to decide between a regression by random effects and a simple regression of the OLS. The coefficients for each of the independent variables indicates the amount of percentage change one can could expect in Net Non-performing assets due to one percentage change in the value of that variable, given that all others variable in the model are held constant. P value is used to test the regression as well as to find out the significant variables affecting the dependent variables. At 5% of significant level, p value is less than .05 for the variables such as return on assets, return on equity and Real Interest rate while inflation rate is significant at 1% concluding to the fact that these variables are significant ones having an influence on non-performing assets.

Table -4: Fixed Effects Estimator

Variables	Coefficient	Std.error	t-ratio	p-value
Constant	10.24	1.36	7.49	3.12e-07
ROA	-1.68	1.26	-1.33	0.19
ROE	-0.07	0.09	-0.75	0.46
IR	-0.42	0.14	-2.97	0.007***
RIR	-0.48	0.15	-3.11	0.005***

Note: *** means statistically significant at 10% level
Source: Calculated figures by using XL STATA

Table -5: Random Effects Estimator

Variables	Coefficient	Std.error	t-ratio	p-value
Constant	9.75	1.39	7.01	2.39e-07
ROA	-1.86	0.85	-2.19	0.037**
ROE	-0.12	0.07	-1.60	0.121
IR	-0.29	0.12	-2.29	0.030**
RIR	-0.39	0.15	-2.63	0.014**

Note: ** means statistically significant at 5% level
Source: Calculated figures by using XL STATA

The Hausman test null hypotheses assumes that the preferred model is random effects vs. the alternative is the fixed effects. According to the result, Random effect model was found suitable for dependent variable Non-performing assets. In case of fixed effects model, inflation rate and real interest rate is significant at 10% level but Return on Assets and Return on Equity are not significant at any level.

In case of random effect model, Return on assets, Inflation rate and Real interest rate (H1,H3,H4) is significant at 5% level but Return on Equity(H2) is not significant at any level. Hence random effect model is preferred model as per Hausman test while Return on assets, Inflation rate and Real interest rate are concluding to the fact that these variables are significant ones having an influence on non-performing assets.

9. CONCLUSION

In this study, in Indian Banking sector Non- Performing assets (NPA) is analyzed through panel data analysis using profitability indicators and macro economic variables. Public sector banks and private sector banks were included in the sample. Non –performing assets panel data analysis are examined for the period of 2013-2017. In the analysis, NET NPA ratio as dependent variable; four independent variables (ROA, ROE, inflation rate and real interest rate) were used. Based on the Hausman test result, the random effect model is the effective individual-specific effect model. From the results, all variables are significant except return on equity. Return on assets, Inflation rate and real interest rate are significant negatively related to non-performing assets that means when Net NPA increases it has negative effect on ROA,IR and RIR of select banks but return on equity has a non significant negative impact on the NPA.

For enhancing the performance of the banks, the level of NPA should be reduced. The credit policy should be strict, and the debt collection policy should be strong enough to reduce the amount of bad debt. The profitability of banks will increase with the increase in quality of loans. To improve their performance, the banks should take suitable policies to improve net interest margin, However, the extent to which these are to be enhanced needs to be done are policy issues. To increase the profitability, banks must strive to balance non-interest income.

REFERENCES

1. FICCI (1999), ”Report on Non- Performing Asset of Public Sector Banks “Ministry of Finance, New Delhi, No.3, November.
2. Kaveri,V.S.(1995) ,Relationship Between Recovery and Profitability of Banks: A Study,SBI Monthly Review, Vol.33
3. FICCI (1999), Report on Non- Performing Asset of Public Sector Banks, Ministry of Finance,New Delhi, No.3, November.
4. Kiran K. And Jones M. (2016), “Effect of Non-Performing Assets on the Profitability of Banks – A Selective Study”, International Journal of Business and General Management, Vol. 5 (2), 53-60.
5. Goddard, J. A., Molyneux P., & Wilson J.O.S. (2004). Dynamics of Growth and Profitability in Banking, Journal of Money, Credit and Banking, 36(6), 1069-1090.
6. Guneş, Nizamulmulk (2014) : Profitability in Turkish Banking Sector: Panel Data Analysis (The period 1990-1999), Journal of Economic and Social Thought, ISSN 2149-0422, Vol. 1, Iss. 1, pp. 15-26.
7. Adwaita Maiti , Sebak Kumar Jana(2017). Determinants of Profitability of Banks in India: A Panel Data Analysis, Sch J Econ Bus Manag, 2017; 4(7):436-445
8. Washeka Anjom, Asif Mahbub Karim (2016). Relationship between non-performing loans and macroeconomic factors with bank specific factors: a case study on loan portfolios – saarc countries perspective. ELK's International Journal of Finance and risk management,ISSN 2349-2325/2015, 07(2)23-52
9. Wooldridge, J.M. (2002). Econometric Analysis of Cross Section and Panel Data, Cambridge: The MIT Press.

National Seminar (MIBS - 2018)
MODERN INITIATIVES IN BANKING SECTOR – STRATEGIC PERSPECTIVES
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

THE IMPACT OF CRYPTOCURRENCY AND BLOCK CHAIN TECHNOLOGY ONINDIAN ECONOMY – A STUDY

Dr. B.PARASHURAMULU
Assistant Professor, Department of Commerce& Business Management, Satavahana Univeristy, Karimnagar

Dr. K. SAI SHARAN
Assistant Professor, Department of Commerce & BusinessManagement, University Arts & Science College, Subedari, Kakatiya University, Warangal

Abstract: *A cryptocurrency is a type of digital assets designed to work as a medium of exchange like any other normal currencies, they are designed using cryptography to secure the transactions, to control the creation of additional units, and to verify the transfer of assets. Cryptocurrencies are digital tokens used to transfer money between individuals' computers, and their peer-to-peer structures enable unanimous transfers. Cryptocurrencies can also be defined as a subset of digital currencies and are also classified as a subset of alternative currencies and virtual currencies.*

The finance minister in his Union Budget 2018 speech said, "The government does not consider cryptocurrencies legal tender or coin and will take all measures to eliminate use of these crypto-assets in financing illegitimate activities or as part of the payment system." However, the government has recognized blockchain and said that a "distributed ledger system or the blockchain technology allows organization of any chain of records or transactions, without the need of intermediaries. The government will explore use of blockchain technology proactively for ushering in digital economy." The presented study is based on secondary data collected from different sources like News Papers, Magazines, Journals, Publications and Internet.

Key words: *Cryptocurrency, Legal, Illegal, Block Chain Technology and Digital Economy.*

1. INTRODUCTION

In cryptocurrency, the application cryptography is used to secure the transactions and to control the creation of new coins. Most cryptocurrencies are designed to gradually decrease the production of currency, placing an ultimate cap on the total amount of currency that will ever be in circulation.If compared with any other currencies held by any financial institutions or either kept as cash in hand, cryptocurrencies can be more difficult to seize by enforcing the law.The traceless nature of cryptocurrencies is one of many concerns that governments seek to address through increased regulation.As like the centralized banking, where the country's government have the full control over the value of a currency but in case of cryptocurrency government has no control over it as they are fully decentralized.

The first decentralized cryptocurrency was created in the year 2009 named as Bitcoin. Since then, numerous cryptocurrencies have been created, these are frequently called altcoins. When a user spends a crypto coin, a transaction is added to an electronic public ledger, called a 'blockchain', which is similar to a bank record. Cryptocurrencies are controlled by a community of unrelated parties known as miners.

BITCOIN and other cryptocurrencies are facing a crackdown from governments around the world, including India and China, in a bid to tighten up regulations and protect consumers. But are cryptocurrencies legal in India? Since the start of 2018, Bitcoin has suffered a massive price crash after its stratospheric growth last year sparked concern among central bankers.International Monetary Fund (IMF) chief Christine Lagarde is the latest economic chief to wade into the argument, saying cryptocurrency regulation is "inevitable".And bitcoin's price fall - slumping more than 55 percent since its December high of $19,982 - has been partly blamed on countries that are beginning to introduce cryptocurrency regulations.Some of the most outspoken countries are India, South Korea and China.

2. LITERATURE REVIEW

This literature review provides a comprehensive and detailed documentation of the current technological and literary state of the Blockchain technology within Information Systems research. The review outlines in detail what is cryptocurrency required for the Blockchain technology to function as a technological enabler for innovation and the required factors for success.

Although the concept of electronic currency dates back to the late 1980s, Bitcoin, launched in 2009 by pseudonymous (and still unidentified) developer Satoshi Nakamoto, is the first successful decentralized cryptocurrency.

In short, a cryptocurrency is a virtual coinage system that functions much like a standard currency, enabling users to provide virtual payment for goods and services free of a central trusted authority. Cryptocurrencies rely on the transmission of digital information, utilizing cryptographic methods to ensure legitimate, unique transactions. Bitcoin took the digital coin market one step further, decentralizing the currency and freeing it from hierarchical power structures. Instead, individuals and businesses transact with the coin electronically on a peer-to-peer network. It caught wide attention beginning in 2011, and various altcoins – a general name for all other cryptocurrencies post-Bitcoin – soon appeared.

Litecoin was released in the fall of 2011, gaining modest success and enjoying the highest cryptocurrency market cap after Bitcoin until it was overtaken by Ripple on October 4th, 2014. Litecoin modified Bitcoin's protocol, increasing transaction speed with the idea that it would be more appropriate for day-to-day transactions.

Ripple, launched in 2013, introduced an entirely unique model to that used by Bitcoin and currently maintains the second highest market capitalization of approximately $255 million (April 22). Another notable coin in the evolutionary chain of cryptocurrency, Peercoin, employs a revolutionary technological development to secure and sustain its coinage.

Peercoin merges the PoW technology used by Bitcoin and Litecoin along with its own mechanism, proof-of-stake (PoS), to employ a hybrid network security mechanism. More recently NuShares/NuBits have emerged, introduced in August 2014, which rely on a dual currency model almost entirely divorced from the single currency model used by previous coins.

3. OBJECTIVES OF THE STUDY

The following are the main objectives of the study

- To study the legitimacy of cryptocurreny in India
- To study the impact of block chain technology in Indian economy

4. RESEARCH METHODOLOGY

The data collected from secondary data of that books, paper proceedings, articles, dissertation, thesis, publication journals and internet resource.

5. DISCUSSION AND ANALYSIS

It has been a tumultuous week for cryptocurrencies across the globe. While China has blocked crypto exchanges, U.S. banks are steadily declining cryptocurrency purchases. Meanwhile, Indian finance minister Arun Jaitley, during the national finance budget, stated that the country does not recognize Bitcoin as legal tender and steps would be taken to penalize crypto payments, sending cryptocurrency enthusiasts and investors in a tizzy. Shortly after the minister's statement, the price of Bitcoin fell to a two-month low of less than $7,000.

Jaitley's comments managed to invoke doubts in India's crypto community again about legitimacy of trading, except this time, authorities have decided to steer the debate clear of controversy for good.

Shortly after the budget announcement, secretary of economic affairs SC Garg said that the government will set up a panel to examine trading of crypto assets in unregulated exchanges. The panel is expected to submit its findings in a report by the end of March 2018.

Bitcoin experts seek to educate Indians about Cryptocurrency

The knee-jerk reaction to the minister's statement and the consequent fall in Bitcoin prices could be attributed to a lack of awareness about Bitcoin itself. "Right now, the general understanding of the term Bitcoin in India is vague. There are a lot of people in India who are intrigued by the technology but don't understand it well enough," said Khurana.Regardless, India's cryptocurrency trading volumes have been on the rise. While there are no official figures, Khurana says there are at least five million active traders in India, transacting via regulated banking channels.

With India's leading cryptocurrency exchanges such as Zebpay, Unocoin, Coinsecure, Coinome and Bitxoxo among others reporting a marked increase in user interest every day, Internet and Mobile Association of India (IAMAI) has been focusing on increasing user awareness outreach programs such as educational videos and reading material, becoming one of the first industry bodies in the world to do so, said Khurana.

In addition, IAMAI is also working on putting together an online course using input from industry experts and Bitcoin exchanges as well as developing a self-assessment test. "There are multiple dimensions to Bitcoin such as the technology, security and privacy. It is important to be aware of every aspect, to understand Bitcoin better and make informed decisions while trading," added Khurana.

Industry joins forces to advocate Legitimate Cryptocurrency Usage

In a move that promotes industry collaboration, The Digital and Blockchain Foundation of India (DABFI) and the IAMAI merged in November 2017 with the aim to popularize blockchain technologies in India and build an advocacy platform for cryptocurrency in India. Several major Bitcoin exchanges in India such as Unocoin, Zebpay and Coinsecure also founding members of DABFI are now part of IAMAI's Fintech Council.

Sandeep Goenka, cofounder of Zebpay and head of the newly formed fintech council said, "The current government is open-minded and this is a welcome change for those developing revolutionary technology. The most ideal way to strengthen the system is by using approved banking channels to onboard new customers and legitimize Bitcoin trading. The largest Bitcoin exchanges in India are already implementing these measures, and they should be standard practice.

Is the cryptocurrency legal in India?

Bitcoin and other cryptocurrencies have a complicated relationship in India because although they are not technically banned, they are not considered to be legal tender by financial institutions.This was outlined by Finance Minister Arun Jaitley during a budget speech on February 1.

Mr Jaitley said: "The government does not consider cryptocurrencies as legal tender or coin and will take all measures to eliminate the use of these crypto assets in financing illegitimate activities." August, 2017 he told the Indian Parliament that the government had no authority to regulate cryptocurrencies.

Bitcoin trading is hugely popular among Indians and has surged in recent months across the country. According to one estimate by bitcoin platform Unocoin, its website saw a steep rise in users towards the end of last year. Company founder Sathvik Vishwanth told the Financial Times in January: "Early last year we were gaining about 10,000 new users each month."In December it was about 7,000 to 8,000 each day."

Is cryptocurrency legislation on its way in India?

While India is not outlawing cryptocurrency just yet, it does seem to be making things very difficult for investors. In recent days, India's Income Tax Department announced it had issued notices to 100,000 cryptocurrency investors suspected of concealing profits.

Sushil Chandra, chairman of the Central Board of Direct Taxes, said: "We found out that there is no clarity on investments made by many people, which means that they have not declared it properly,"

"People who have made investments in cryptocurrency and have not paid tax on the profit earned by investing, we are sending them notices as we feel that it is all taxable."

The Securities and Exchange Board of India chairman Ajay Tyagi said regulations on cryptocurrencies was being finalised, along with the individual roles of regulators, according to the New Indian Express newspaper.

Cryptocurrency Legality:

- Cryptocurrencies are legal in most of the countries except in Iceland and Vietnam. China has banned all the financial institutions of China from handling bitcoins and Russia, while saying cryptocurrency is legal, has made it illegal.
- In India, it is still not clear whether the cryptocurrency is legal or illegal as there is no law which says cryptocurrency is illegal. So neither it is legal nor illegal.
- Japan legalized Bitcoin in April 2017 and accepted it as a legitimate form of currency.

Future of Cryptocurrency.

- Relative complexity compared to conventional currencies will likely to deter.
- There will be much more competition in future as a payment method because some banks could issue their own cryptocurrency. Decentralised and hybrid apps will take over the market in the next coming years.
- Bitcoin will not necessarily be used as a method of payment but primarily it will be used as a store of value. This revolutionary technology is going to have a very great future in India.
- Altcoins will steadily increase their values, popularity and the market cap, so they will be more used as payment gateway, another thing to consider is how other Fintech companies are getting involved with Indian Crypto Start-ups and how they might have their own rise to fame in the region and be a bigger representation of the locality that exists there. In this new and disruptive space, anything is possible.

Some of the real-world applications of technology related to cryptocurrency.

- **Use in voting**–People can vote to the deserving leader while being anonymous to their identity.
- **Using in funds distribution** –A huge fund is distributed to the leaders of the states but because of corrupt minds the money vanishes and remains to pieces. Cryptocurrency will definitely help the country to get rid it.

Criticism

- Many banks presently do not offer their services for cryptocurrencies and can refuse to offer services to virtual-currency companies.
- Cryptocurrency can be permanently lost from local storage due to malware, hacking or data loss, destruction of the physical media, effectively removing lost cryptocurrencies forever from their markets.
- With technological advancement in cryptocurrencies, the cost of entry for miners requiring specialized hardware and software is high.
- Cryptocurrency transactions are normally irreversible in many of the transaction after a number of blocks the transaction is confirmed, the key feature that cryptocurrency lacks is consumer protection against fraud.
- While cryptocurrencies are digital currencies that are managed through advanced encryption techniques, many countries governments have taken a cautious approach toward them, fearing their lack of central control and the effects they could have on the financial security of the country.
- An enormous amount of energy goes into mining of cryptocurrency.
- Traditional financial products have strong consumer protections. However, if any cryptocurrency is lost or stolen there is no intermediary with the power to limit consumer losses.
- Regulators in several countries have warned against their use and some have taken concrete regulatory measures against it to dissuade users.
- For instance, there is a lack of regulatory legislation regulating digital currencies and a lack of user and consumer protection.

Black Chain technology in digital economy

With digital adoption gaining traction in India, blockchain technology has caught the fancy of many. While blockchain technology continues to see sustained support from Indian banks, state governments and private companies are increasingly exploring blockchain for improved governance, enhancing efficiency of business processes, and ensuring transparency.

Blockchain technology began gaining prominence in the country following the emergence of bitcoin. While the legality and veracity of cryptocurrencies is being debated in India, technology companies have begun shifting focus to the utility of blockchain technology. Specifically, Indian banks have been experimenting with blockchain technology by developing in-house Proof-of-Concept projects. According to a PwC report, 56% of Indian businesses are inclined to make blockchain a part of their core business, and three key areas that the technology will impact are payments and funds transfer infrastructure, digital identity management and post-trade settlements.

Not just for banks

However, the allure of a distributed ledger system is extending well beyond the financial services sector. Specifically, the implementation of blockchain in property transactions would be revolutionary in India. Land titles in India do not guarantee an owner his complete rights. Moreover, property transactions are done on paper and not updated very often, leading to innumerable property disputes. According to a paper published by PRS Legislative Research, the pace of bringing land records online has been slow, and a move towards conclusive land titling has been proposed, which involves migrating to an organized, perhaps digitized method, of chronicling land records in India.

This is where blockchain technology could play a definitive role, legal experts believe. Rahul Matthan, partner at Trilegal, one of India's largest law firms that services multiple industries including banking and real estate, says, “Land records, like any other registry in India, are centralized and maintained in the office of the sub-registrar. It is possible that the contents of these papers could be altered or tampered. If land documents are stored on a distributed ledger, it will be impossible to tamper with them.”

While the Indian government has renewed its interest in digitizing land records through the Digital India Land Records Modernization Programme (DILRMP), the implementation of a distributed ledger first to digitize existing land records and set the precedent for future transactions ensures a legitimate, government-approved record of transactions.

Matthan says, “The opportunity to build a layer of technology on top of an existing registry is immense. It allows one to perform tasks like audits with ease and speed. Since personal data can be encrypted, the identity of the buyer or the seller can be kept confidential. The future of property transactions lies in smart contracts, which are automated and don’t require an intermediary.”

The use of blockchain for land dealings ties into the larger mandate of e-governance in India. While many state governments are exploring the usage of the technology, Andhra Pradesh is leading the way by conducting trials within its departments. The state is working with startups such as Snapper Technologies and SimplyFy to implement blockchain across administrative processes. Earlier this year, Swiss startup WISEKey collaborated with the government of Andhra Pradesh to explore blockchain Proof of Concepts. The state has already implemented blockchain pilot projects in the departments of land records and transport. J A Chaudhry, advisor of information technology to the state of Andhra Pradesh said, “Cybersecurity is a top priority, especially since the government is adopting digital platforms rapidly. Blockchain technology is the only trust protocol that guarantees safety of all digital and financial assets. By implementing blockchain across the government, we can secure the integrity of Prime Minister Modi's Digital India initiative."

Chaudhry added that the Andhra Pradesh government is working towards integrating its own e-governance program and securing its assets on blockchain by the end of 2019.

Spreading like wildfire

Meanwhile, the blockchain bug has bitten private major Indian companies as well, which are experimenting with PoCs that can replace outdated business processes, save time and operational costs.

Indian conglomerate Mahindra Group and IBM developed a blockchain solution in 2016 to reinvent supply chain finance across the Mahindra chain in India. At a conference, Sankarson Banerjee, chief technology officer of India's National Stock Exchange, said that the organization was seeing immense value in using distributed ledger technologies to lower operational costs. YES Bank, one of the country's largest private sector banks, said that they have implemented a multi-nodal blockchain transaction to digitize vendor financing for Bajaj Electricals, based on a smart contract written by fintech startup Cateina Technologies. Shekhar Bajaj, CMD of Bajaj Electricals, said, **"**The blockchain solution by YES BANK enables us to do timely processing of the vendor payment through vendor financing from the bank without physical documents and manual intervention. It also enables us and our vendor to track the status of the transactions in real time."

One of the biggest hurdles in development of blockchain is scalability, according to Karthik Iyer, founder of Blockchain Monk, which provides solutions and training for senior management and developers on blockchain. "Blockchain has moved from being a hyped-up technology concept to a value-add in business. Moreover, blockchain can help India attract foreign capital too. The technology development is still in its nascent stages in India, but it can be scaled to suit the needs of large businesses and government processes."

The recent launch of the Blockchain Foundation of India (BFI) reiterates the belief that blockchain is here to stay. BFI aims to promote blockchain initiatives in India, build a community and promote startups to scale the technology for different businesses.

6. CONCLUSION

Cryptocurrency is the future of financial around the globe. Some of the limitations that cryptocurrencies are facing today such as the digital fortune of currency can be erased by a computer crash, or that a virtual vault may be ransacked by a hacker – may be overcome in time through technological advances.There will be much more competition in future as a payment method because some banks could issue their own cryptocurrency. Decentralised and hybrid apps will take over the market in the next coming years.

The country's penchant for a digital revolution has permeated to the core of the economy. With the government throwing its weight behind such experimental technology, there is scope for it to become mainstream very soon. The use of blockchain for land dealings ties into the larger mandate of e-governance in India. While many state governments are exploring the usage of the technology, Andhra Pradesh is leading the way by conducting trials within its departments. The state is working with startups such as Snapper Technologies and SimplyFy to implement blockchain across administrative processes.

REFERENCES:

1. Crypto-Currency Market Capitalizations. [Online]. http://coinmarketcap.com/
2. Satoshi Nakamoto. (2008) Bitcoin: A Peer-to-Peer Electronic Cash System. [Online]
3. https://bitcoin.org/bitcoin.pdf
4. http://www.peercoin.net/assets/paper/peercoin-paper.pdf
5. Jordan Lee. (2014, September) Nu. [Online].
6. https://nubits.com/sites/default/files/assets/nu-whitepaper-23_sept_2014-en.pdf
7. MARC ANDREESSEN. (2014, January) The New York Times. [Online].
8. http://dealbook.nytimes.com/2014/01/21/why-bitcoinmatters/
9. Blockchain info. [Online]. https://blockchain.info/
10. Larry Ren, "Proof of Stake Velocity: Building the Social Currency of the Digital Age," 2014

National Seminar (MIBS - 2018)
Modern Initiatives in Banking Sector – Strategic Perspectives
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

CASHLESS TRASACTIONS-THE FUTURE OF TRANSPARENT GOVERNANCE AND MONEY FLOW IN INDIA

B. GATTAIAH,
Lecturer in Commerce
Keshava Degree College for Women, Hanmakonda, Warangal, T.S

Abstract: *Worldwide there has been enormous need for transparent and fair governance with respect to money flow so as to benefit the common man and eliminate the root causes of poverty and illiteracy. In this regard the present paper explains the transformation to cashless transactions and various modes of digital transactions available. It also talks about the pros and cons of this adaptation while emphasizing on the impact of demonetization on cashless transactions with focus on rural people.*

Keywords C*ashless Transactions, Demonetization, Global Economy, Money flow*

1. INTRODUCTION

Worldwide there had been tremendous interest among policy makers, academicians and commercial enterprises to explore the possibility of moving towards a cashless transaction. In ancient times people used to follow the bater system for exchange goods to one another to meet their needs. Later coins were discovered as it was difficult to store goods and food in the godown for longer periods. Slowly usage of coins has replaced barter system across the globe. Later with the course of evolution, it was found to be difficult to carry coins as they were heavier. Thus it gave rise to the design and development of currency notes for the purpose of businesstransactions. This system of currency notes had both pros and cons. Initially it was found to be very easy to carry currency in the form of notes as it was of light weight, easy to handle and store. But with the growing rates of industrialization and man's greed to become richer, people have started misusing these and this has resulted in generation of black money across the globe in the past few decades. In simple terms black money can be defined as the income that has been obtained illegally or that has not been declared for tax purposes. In order to overcome these issues and for fair governance it is quiet an important prerequisite to make the business transactions cashless.

Cashless economy is a situation in which the flow of cash within an economy is non-existent and all transactions are done through electronic media channels such as direct debit, credit and debit cards, electronic clearing and payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS). Today, credit cards and online payment services are becoming increasingly popular in urban India,paper currency notes are still an essential part of daily life. One saying is revenue is vanity,cash flow is sanity but cash is king. Cash may be defined as any legal medium of exchange that is immediately negotiable and free of restrictions. In this regard the present study aims to identify the benefits and problems in going cashless as well as their impact on rural people of India who still do not have access to basic amenities yet.

2. REVIEW OF LITERATURE

According to Tax Research Team2016: The argument posited in favour of demonetisation is that the cash that would be extinguished would be black money and hence, should be rightfully extinguished to set right the perverse incentive structure in the economy. While the facts are not available to anybody, it would be foolhardy to argue that this is the only possibility. Therefore, it is imperative to evaluate the short run and medium-term impacts that such a shock is expected to have on the economy. Further, the impact of such a move would vary depending on the extent to which the government decides to remonetise. This paper elucidates the impact of such a move on the availability of credit, spending, level of activity and government finances.

Dr. Liza Jain 2016: The consequence of continuous expansion of black economy in India is not only a matter of contraction of government revenue but it has a multidimensional implications. It is also an issue of misuse of public fund. The crisis of black economy in India is really mind-blowing. It leads to the misdirection of precious national resources, worsen the income distribution, corrupted our political system, transfer the financial resources of foreign countries such as Swiss Banks, strengthen the brokers of law, restrict to formulate right policies and actual strength of the country and most importantly it discourage the honest practices in each and every section of social and political life.

Singh, Supriya 2016: Policy on electronic money and electronic commerce would be more effective if there was a better understanding of the use of electronic money. The users' perspective would complement the supply-side, economic and technological understanding of money with an understanding that emphasises the use of money in its social and cultural context. Mistaking the partial story for the whole can lead to costly misjudgements for providers and regulators. It also leads to an incomplete understanding of communication, innovation and social change. This article presents a methodology for exploring the users' perspective, drawing on case studies on the actual use of electronic money. The user and his/her activities are placed at the centre.

Rogoff, Kenneth S 2017: Despite advances in transactions technologies, paper currency still constitutes a notable percentage of the money supply in most countries. For example, it constitutes roughly 10% of the US Federal Reserveâ€™s main monetary aggregate, M2. Yet, it has important drawbacks. First, it can help facilitate activity in the underground (tax-evading) and illegal economy. Second, its existence creates the artifact of the zero bound on the nominal interest rate. On the other hand, the enduring popularity of paper currency generates many benefits, including substantial seigniorage revenue.

NIPFP Tax Research Team 2017: The argument posited in favour of demonetisation is that the cash that would be extinguished would be â€œblack moneyâ€ and hence, should be rightfully extinguished to set right the perverse incentive structure in the economy. While the facts are not available to anybody, it would be foolhardy to argue that this is the only possibility. Therefore, it is imperative to evaluate the short run and medium-term impacts that such a shock is expected to have on the economy. Further, the impact of such a move would vary depending on the extent to which the government decides to remonetise.

3. DIFFERENT MODES OF CASHLESS TRANSACTIONS

For making India cashless, these are the various modes available in form of digital transactions which are being considerably implemented and which clearly indicate that cashless transactions are being actively used by people in India. These can be highlighted as under:

- Payment Banks: Payment bank is a new model of banks introduced by RBI. Payment can issue services like ATM Cards, mobile banking, net banking, and debit cards etc.These payment banks offer amazing competition to traditional banks in terms of services. Two such prominent licensees are Airtel (founded in 1995, in 2016 reaching at revenue of $14.5 billion) and PayTM (founded in 2010 and valued at $1 billion presently)
- Electronic Fund Transfer Systems: Two popular methods RTGS and NEFT are increasingly used by people at a large scale for making funds transfer from one bank to another leading to less time and economy in operations.
- Mobile Wallets: Option to open a zero KYC or a full KYC wallet along with your mobile number and the application to be downloaded to your smart phone.
- Internet Banking: For this type of digital service to take benefit of, the individual must hold a bank account and opt for the online service same.
- Banking Cards: Banking cards are available by the bank by providing the KYC (know your customer) information to the bank. Applying for a card and getting a pin for the same. Credit and Debit cards are plastic cards that are used as method of payment.

4. IMPACT OF DEMONETISATION ON CASHLESS TRANSACTIONS

With the application of demonetization by the government on 8th novemember,2016 there has been a positive drift towards the acceptance of cashless transactions by the people. Before demonetization cashless transactions was only an option, but now under some circumstances the merchants and business people have been forced to accept cashless transactions.

As India takes a step towards building a cashless economy, it's becoming clear that the biggest challenge to Narendra Modi's vision for a cashless country will come from Bharat, thanks to erratic internet connectivity, poor smartphone penetration 30%, says Cyber Media Research coupled with die-hard habits of relying on cash for transactions. Experts contend that the government's headlong push for a cashless India may be too much, too soon. While the primary goal should beto ensure that everyone has a bank account, and all banks should make it easy to transact digitally, the reality is that many smallerbanks do not offer digital banking, says Jessie Paul, founder of Paul Writer, a marketing advisory firm. As far as mobile wallets areconcerned, she points out, there are three major issues. First is cost. There is a fee to transfer money to the wallet, and then from walletto merchant. The second issue is trust. Fear of fraud is high for any digital tool. And there's reliability; can internet players ensure thatthere will be 100% uptime of the network.

5. BENEFITS OF CASHLESS TRANSACTION

- Cashless transactions do provide certain advantages for the global economy and to mention a few are as follows:
- **Control over black money**- as cashless digital transactions record the data for every penny purchased or sold, it would be very useful to overcome the problem of black money as it becomes mandatory to pay back the taxes.
- **Control over fake note-** It would be impossible to make fake currency if every individual makes use of digital payments.
- **No funding to terrorism**- As in majority of cases the funding for terrorism comes from illegal routes in form of black money. As discussed above eradication of black money would automatically make the funding for terrorism stringent.
- **Tax payment-** digital transactions make every peny accountable to the government.
- **Illegal political funding-**Political donation is the major concern in the country. Majority of the funding in the political party is unaccountable which is not revealed by the party as well as the donor. All that kind of illegal transaction would be stopped if a government follows cashless transaction.
- **Cost of printing and distribution of currency-** The cost of printing and distribution of currency would be zero for the cashless transaction as no paper notes to print and distribute.[9,10]

6. CHALLENGES FOR CASHLESS TRASACTIONS

Every reform which is still in its initial stages would have certain demerits which can be overcome by continuous supervision, analysis, data monitoring and validation. Even cashless transactions have a few challenges which are to be solved by a proper channel. To mention a few demerits are as follows:

As per TRAI the total telephone subscriber (in million) are 1058.85 which is not in the range of all the people. The existing telephone infrastructure do not cover the entire nation. Still there are few regions of the country which do not have access to proper means of communication.

Insufficient infrastructure is also a major barricade for cashless transaction. For a Large country like India, there are only 2.3 lakh ATMs and 14 lakh POS terminals are very low. Countries such as Brazil, Australia, France and the UK have POS terminals three or four times that of India. Also the customer awareness drive is virtually missing. The regulatory framework for card payment is sound.The current business model of card payment is also under pressure.

Illiteracy is one of the major issue in the path of cashless transaction, as per UNESCO report India currently has the largest population of illiterate adults in the world with 287 million India's illiterate population largest in the world says UNESCO report.

Hacking is one of the issues for cashless transaction. As per the Economic time 3.2 million debit cards information were compromised of the major banks such as SBI, HDFC, YES and AXIS.

7. RECENT ADVANCEMENTS IN CASHLESS TRASACTIONS AND INCREASE IN ITS ACCEPTANCE BY COMMON MAN

While for daily use there are enough apps and platforms that help pay digitally - UPI, BHIM, AadhaarPay, Paytm, MobiKwik, HDFC PayZapp, SBI Buddy, PayU, Tez, besides credit cards and debit cards - people still seem more comfortable reaching for cash than an app.

Mobile banking transactions increased by 175%, while money banking using mobile banking increased by 369% from October to October, according to an IndianSpend analysis of Reserve Bank of India (RBI) data. This is a good evolution but uneducated people are difficult to do transactions. Official statistics indicate an 80% increase in the value of digital transactions in 2017-18, with the total amount expected to touch Rs 1,800 crore in the wake of the impetus provided by demonetization.The value of digital transactions up to Rs 1,000 crore this year, was nearly equal to that for the entire 2016-17. It was a continuation of a trend, with June, July and August registering Rs 136-138 crore transactions on average, according to the ministry of information technology.

Interestingly, the volume of digital transactions rose in March and April (Rs 156 crores in both months) when the effects of demonetization in terms of cash had started to wear off. Thereafter, the monthly average of Rs 136-138 crore indicates a steady pattern even as the value is rising. The report shared by the Finance Standing Committee of Parliament, shows PMI-BHIM, IMPS, M-wallet and debit cards as all platforms across the average daily transactions in last year, when PM Modi demonstrated the announcement.

In close proximation to Aadhaar architect Nandan Nilekani's recent statement that the government had saved around $ 9 billion by eliminating frauds in benefit payments, the government said direct benefit transfer had resulted in savings of Rs 57,029 crore up to 2016-17.

There has been a huge increase in e-toll payments from Rs 88 crore in 2016 to Rs 275 crore in August 2017 but the number of tags remains low at 6 lakhs till September 2017. There has been a strong growth in volume and value BHIM-UPI transactions. The value of rose from 101 crores in November 2016 to 7,057 crores in October 2017.

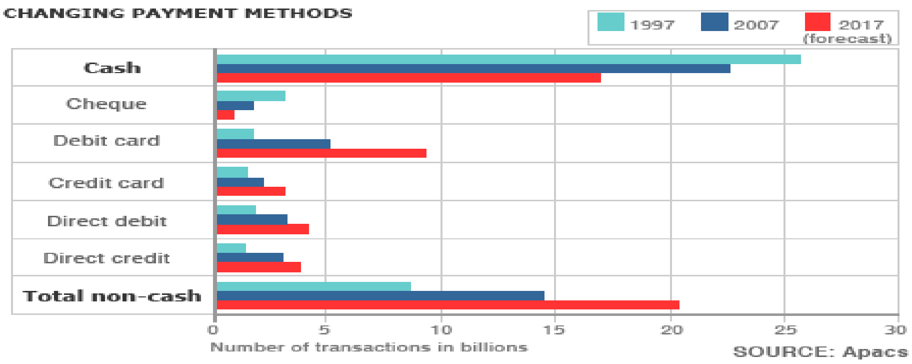


Fig-1 Showing the changing payment methods since 1997

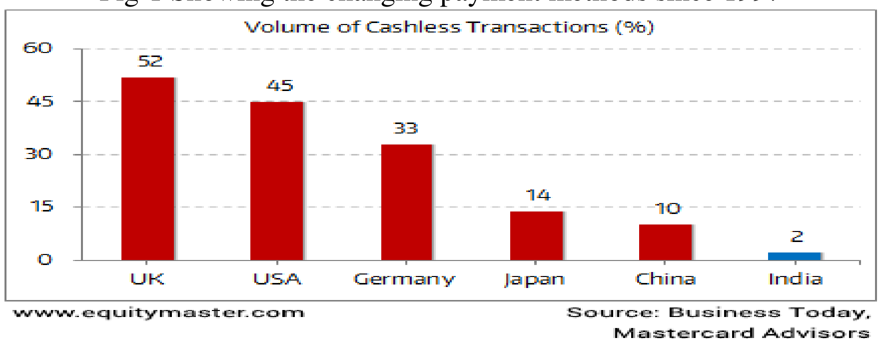


Fig-2 A comparison of % of cashless transactions among different nations

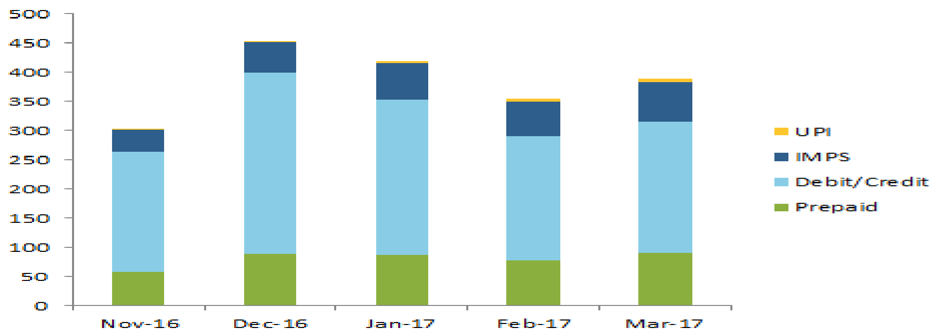


Fig-3 Shift in different digital payment modes between Nov-16 to Mar-17

8. CONCLUSION

Fair governance, elimination of corruption and poverty are need of the hour for the overall development of the country in terms of its global economy status as well as literacy rate. Under such a scenario, the present policies being implemented by the government for maintaining transparency in money flow would benefit the global economy in future. Proper implementation and development of much more secured cashless transaction systems along with proper awareness and training being provided to the rural people with respect to digital transactions would help in achieving the true objectives behind the demonetization strategy and cashless transactions.

REFERENCES

1. Tax Research Team. Demonetisation: Impact on the Economy. No. 16/182. 2016.
2. Jain, Liza. "Black Money–a Darker Side of Economy." Indian Journal of Applied Research 6, no. 3 (2016).
3. Singh, Supriya. "Electronic money: understanding its use to increase the effectiveness of policy." Telecommunications Policy 23, no. 10 (1999): 753-773.
4. Rogoff, Kenneth S. Costs and benefits to phasing out paper currency. No. w20126. National Bureau of Economic Research, 2014.
5. NIPFP Tax Research Team. Demonetisation: Impact on the Economy. No. id: 11481. 2016.
6. Odumeru, James Adetunji. "Going cashless: Adoption of mobile banking in Nigeria." Arabian Journal of Business and Management Review 1, no. 2 (2013): 9-17.
7. Hogan, Edward J. "System and method for conducting cashless transactions on a computer network." U.S. Patent 5,692,132, issued November 25, 1997.
8. Chaum, David (1982). "Blind signatures for untraceable payments" (PDF). Department of Computer Science, University of California, Santa Barbra, CA.

National Seminar (MIBS - 2018)
MODERN INITIATIVES IN BANKING SECTOR – STRATEGIC PERSPECTIVES
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

MONETARY POLICY CONFORMITY IN LIQUIDITY MANAGEMENT– A STUDY OF SELECT BANKS

Dr. D. VEENA, Prof. G.V. BHAVANI
PRASADDr. D. Veena,
Faculty KUSL, WARANGAL

Prof. G.V. BHAVANI PRASAD,
Emeritus Professor(UGC),
UCCBM, KU, WARANGAL

Abstract: *Liquidity management is recognized as one of the fundamental problems in banking. When a bank grants a loan, it must create or obtain a liability in the form of a credit line or a demand deposit. Granting a loan is profitable because a higher interest is charged on the loan than what is paid on deposits. However, the trade-off is that more lending relative to a given amount of reserves also increases liquidity risks: when deposits are transferred to another bank, the issuing bank must transfer some asset to settle the transaction. Hence, central bank reserves are critical to clear settlements. This friction implies that with an increase in deposits that follows from additional lending comes additional liquidity risk. The lower the liquidity ratio of a bank (its deposits-to-reserve ratio) the more likely it is to be short of reserves. Banks short of reserves, incur financial losses as they must incur in expensive borrowing from other banks or the Central Bank's discount window. Keeping in view the criticality of Liquidity management in commercial banks and the consequent impact on money supplying economy, RBI uses CRR and SLR as tools of controlling and regulating liquidity in commercial banks in India. They extent to which the RBI's monetary policy can have an impact depends on the conformity of commercial banks to CRR and SLR prescribed by RBI. Any deviation from the prescribed CRR and SLR would result in unplanned spike in money supply with its consequent impact on inflation as well as disrupting the ability in servicing its liabilities.*

Keywords: *banking, liquidity, CRR, Liabilities,*

1. INTRODUCTION

Liquidity, or the ability to fund increases in assets and meet obligations as they become due, is crucial to the ongoing viability of any banking organization. Therefore, managing liquidity is among the most important activities conducted by banks. Sound liquidity management policy can reduce the probability of serious operational problems for the banks. Indeed, the importance of liquidity transcends the individual bank, since a liquidity shortfall at a single institution can have system-wide repercussions. For this reason, the analysis of liquidity requires bank management not only to measure the liquidity position of the bank on an ongoing basis but also to examine how funding requirements are likely to evolve under various scenarios, including adverse conditions.

2. LITERATURE REVIEW

Diamond and Rajan (2000) said equity capital can act as a buffer to protect depositors in the time of distress. But holding excessive equity capital can reduce liquidity. Danilla (2002) the management of liquidity risk in banks presents two opposing views. Primarily, inadequate level of liquidity may lead to the need to attract additional sources of funds at higher costs. This will reduce the profitability of the bank; thereby ultimately affecting the threat of insolvency. Beger and Bouman (2010) explained thatbanks liquidity creation is positively correlated with bank value. Okafor (2011) Liquidity Management seeks to strike a delicate balance between the need to maintain sufficient liquidity to meet depositors' cash calls and the imperative of avoiding the danger of compromising the earning capacity by sitting on glut or excess liquidity. SambhavGarg, Priya Jindal and Dr. Bhavet (2013) in their paper emphasized that banks run on confidence and trust. Confidence enjoyed banks enable them to mobilize the dormant funds of public and make them available for productive purpose. Guillermo Alger and Ingda Alger (1999) determined that banks with relatively more demand deposits have relatively less liquid assets. KarthikSrinivasan and Vineet Gupta (2007) stated that with the splurge in the credit off-take, banks have to increase their reliance on bulk funding short term sources. At the same time many of them have also been pairing their excess SLR portfolio to fund the credit growth.

3. OBJECTIVES

This paper aims at analyzing how far the banks manage their liquidity in conformity with RBI's policy related to CRR and SLR.

a. To study the consistency of liquidity management in select banks with RBI policy.
b. To analyze the consistency of SLR policy in select banks.
c. To analyze the consistency of CRR policy in select banks.
d. To study the relationship between Liquidity and Profitability.

4. RESEARCH METHODOLOGY

For the purpose of the study two banks have been chosen, viz., SBI and ICICI bank. The data pertaining to the period between 2005 – 2017 (12 years) was taken from the annual reports of the select banks. Ratios such as SLR, DCR, TLCR and CRR were used to identify the variations in liquidity status of the select banks. The conformity of the banks to the RBI policy was analyzed with the help of deviation analysis. The impact of liquidity on profitability was analyzed with the help of correlation coefficient.

5. ANALYSIS

5.1LIQUIDITY RATIOS PRESCRIBED BY RBI

RBI plays the role of regulator monetary supply in the economy. It will use different measures to regulate the flow money into the economy so that the economic stability is not adversely affected by too much or too little supply of money. It is necessary to control inflationary pressures affecting the economy. As part of the monetary policy, RBI controls and regulates the liquidity in the banking system which in turn controls the flow of money in to Indian Financial markets. The most important are Cash Reserve Ratio and Statutory Liquidity Ratio. In addition to these ratios the following ratios were used to understand the implications of liquidity management.

5.2STATUTORY LIQUIDITY RATIO (SLR)

Every bank is required to maintain at the close of business every day, a minimum proportion of their Net Demand and Short term liabilities as liquid assets in the form of cash, gold and un-encumbered approved securities. The ratio of Liquid assets (LA) to Demand Deposits (DD) and time liabilities that is Saving Deposits (SD) is known as SLR ratio. RBI is empowered to increase this ratio up to 40%. An increase in SLR also restricts the bank's leverage position to pump more money in to the economy.

SLR = (Liquid Assets / (DD + SD)) *100

SLR is used to limit the expansion of bank credit, for ensuring the solvency of banks (even if all the loans by the bank go bad, the bank can still retrieve a part of it by selling the gold /government securities).

TABLE NO. 1

From the Table no 1, it can be seen that the short term liquidity ratio for SBI started at 24.11 in 2005-06 and showed a steady rise till 2008-09. It was the highest in 2008-09. From 2009 it showed a fluctuating trend and reached the lowest in 2016-17. The Short term liquidity ratio for ICICI started with 44.43 in 2005-06 and showed the highest in 2006-07. From 2007 till 2017 it showed a declining trend. The lowest ratio was recorded in 2014-15.
It is interesting to note that while SBIs ratio was on an average of 23 percent, the ratio of ICICI stood at 41 percent. Also both the banks have shown divergent trends. While SBI was maintaining SLR just close to RBI's SLR, ICICI was maintaining SLR very high as compared to RBI SLR. It can be interpreted that ICICI has been maintaining higher short term liquidity as compared to RBI.

To understand the consistency of the banks' liquidity management with RBI policy, the deviations of Short term liquidity ratio from official SLR was analyzed. The SBI has maintained higher SLR in the year 2007-09, 2010-11 and 2014-15. Except these years in all the other years SBI has been maintaining SLR below the RBI's SLR. The ICICI has been consistently maintain higher SLR than RBI's SLR, the highest being in year 2006-07 and lowest being in the year 2014-15. It can be concluded that SBI has been following a High risk liquidity management policy as compared to ICICI bank. Relatively ICICI maintained higher liquidity in comparison with SBI.

5.3DEPOSITS COVERAGE RATIO (DCR)

Any bank has to maintain liquidity primarily to meet Short term liabilities that too transaction oriented liabilities such as Demand Deposits (DD) and Savings Bank Deposits (SD). However it has to meet the liquidity needs of Time Liabilities either due to maturity or due to foreclosure. It is difficult to predict the volume of demand for cash from these deposits and hence every bank needs to maintain minimum liquidity at least to cover these

deposits at any point of time. For this purpose Deposits Coverage Ratio was calculated to observe the trend and consistency in the maintenance of liquidity to meet the demands of all deposits.
DCR = (LA / DD +SD+TD))*100

Table no. 2

Table no. 2 shows that the DCR for SBI started at 12.1 in 2005-06 and showed its highest 14.07 in 2008-09. The ratio showed a lot of fluctuations from the period 2009-14 and showed a ratio of 11.09 in 2014-15. Finally by showing a decreasing trend it reached to 6.26 the lowest ratio in 2016-17. The SLR of ICICI was 10.32 in 2005-06 which was the least ratio by showing more fluctuations the ratio reached its highest 19.24 in 2009-10. Then the ratio showed a decreasing trend and reached to 11.7 in 2014-15. During the period 2015-17 the ratio increased to 14.21 to 15.45.

SBIs ratio was on an average of 10.06 percent, the ratio of ICICI stood at 14.35 percent. The trend indicates that ICICI has been following better liquidity policy to ensure higher liquidity coverage of total deposits as compared to SBI. As such ICICI bank is less risky for its depositors as compared to SBI.

In order to understand the consistency of Liquidity management on the lines of official SLR, DCR trend is compared with SLR. The deviation analysis of DCR from official SLR shows that SBI has higher deviation as compared to ICICI bank. It can be concluded that ICICI has been following more consistent approach with the liquidity policy of RBI.

Total Liability Coverage Ratio: (TLCR) this ratio is calculated to know how far the LA meet the Total Liabilities (TL) of the banks. TL includes Total Deposits and Total Borrowings.

TLCR = [LA / TL] *100

Table no.3 shows the movement of the TLCR of both the banks. SBI’s ratio was 11.2 in 2005-06. The bank showed highest ratio 13.12 in 2008-09 then by showing a decreasing trend it reached to 5.42 in 2016-17 with 9.54 mean and 2.19 standard deviations. The ICICI bank TLCR was 8.37 in 2005-06 and showed its highest 13.17 in 2006-0 7then the ratio with lot of fluctuations stood at 11.87 by the end of 2016-17 with 10.38 mean and 1.76 deviation.

ICICI bank TLCR was more than the SBI’s this depicts us that the ICICI bank maintaining more liquid assets than SBI to cover its total liabilities. Coming to SBI the TLCR of the bank was 11.2 in 2005-06 and ICICI bank ratio was only8.37 in the same year but finally SBI’s ratio was 5.42 and ICICI bank ratio was 11.87 by the end of 2016-17. It shows that the SBI bank lent more money to customer that could result in higher Non- performing Assets.

5.4 CASH RESERVE RATIO (CRR)

RBI uses Cash Reserve Ratio (CRR) either to drain excess liquidity or to release funds needed for the growth of the economy from time to time. Increase in CRR means that banks have less funds available and money is sucked out of circulation.

Cash Reserve Ratio is abbreviated as CRR. CRR is the percentage of Total Deposits which a commercial bank has to keep as reserves in the form of cash with Central bank of India; however the banks are not allowed to use that money for economic and commercial purposes. It is a tool used by the Reserve Bank of India, which regulates the liquidity in the economy and controls the flow of money in the country. Therefore, if the RBI wants to increase the money supply in the economy, it will reduce the rate of CRR while if RBI wants to decrease the money supply in the market then it will increase the rate of CRR.
CRR= Cash with RBI / Total Deposits

CRR serves as dual purpose for RBI that is (a) ensures that a portion of bank deposits is kept with RBI and is totally risk-free and the depositors are secured by the deposits made with RBI, (b) enables RBI to control liquidity in the system, and thereby, inflation by tying the hands of the banks in lending money.

Table no 4 explains the CRR as prescribed by RBI for the period between 2006-2017 and CRR actually maintained by SBI, ICICI for the same period. As can be seen from the table the highest CRR of 7.75 was prescribed by the RBI during 2007-08 then from 2012-13 onwards RBI prescribed 4% as the CRR. It can be seen that RBI tried to follow tight money policy till 2010-11 and Liberalzing the CRR from 2011-12.

- In order to understand the compliance of SBI & ICICI with RBI CRR policy, deviation analysis was done by comparing actual CRR of select banks with RBI CRR.

- The deviation analysis of SBI showed that except for one year 2011-12 the CRR of SBI was lower than RBI prescribed CRR .in all other years the CRR was higher. In the case of ICICI except for the 2005-06 all the years indicated the maintenance of higher CRR than RBI's benchmark CRR.
- In a comparative analysis it can be seen that the SBI maintained an average CRR of 6.32 and SD of 1.52 while ICICI maintained 6.69 averages with the SD of 2.32. While the average CRR of ICICI is high the SD of SBI showed less fluctuations.
- In order to understand further the consistency of select banks' CRR policy with RBI, deviation analysis was done. The deviation of SBI CRR showed more consistency with RBI CRR policy except in the year 2010-11 when the deviation was 3.31. on the other hand ICICI showed more variations in the CRR policy with its highest deviation in the year 2009-10 when the deviation was 5.92. In spite of the variations in the CRR of both the banks, it can be observed that both the banks followed more closely the CRR policy of RBI as compared to SLR policy of RBI.

5.5 LIQUIDITY vs. PROFITABILITY

Banks efficiency is reflected in its ability to maintain liquidity so as to meet its obligations without fail and at the same time maintain profitability by ensuring the burden of liquidity does not affect profitability adversely. It is a well-known fact that Liquidity and Profitability has inverse relationship. A conservative liquidity policy would reduce the liquidity risk by sacrificing profitability. An aggressive profitability policy will call for maintaining lower liquidity. In order to explore the impact of liquidity on profitability correlation between SLR and ROA, ROE of the select banks is analyzed. A similar analysis was carried out for CRR also.

Table no. 5 shows the correlation between SLR, ROA and ROE of SBI, ICICI bank. The correlation between SLR and ROA of SBI was 0.73, while the correlation between SLR and ROE was 0.72. Similar analysis for ICICI showed a negative correlation of 0.57 between SLR and ROA and 0.68 between SLR and ROE. Though the correlation between liquidity and profitability showed a negative correlation, in effect it means that SLR had an inverse relationship with profitability. This means ICICI has been more prudent in managing its liquidity in order to ensure that its profitability is not affected adversely.

Table no. 6 shows the correlation between CRR, ROA and ROE of SBI, ICICI bank. The correlation between CRR and ROA of SBI was 0.05, while the correlation between CRR and ROE was 0.13. Similar analysis for ICICI showed a negative correlation of 0.59 between CRR and ROA and 0.63 between CRR and ROE. The results are consistent with the results of correlation between liquidity and profitability derived in the analysis correlation form Table no. 5. It can be interpreted that ICICI bank has been inversely more in short term assets such as marketable securities, interbank investments and other short term yield based investments and at the same time reducing idle cash reserves. All this resulted in better profitability for ICICI bank in spite of following consistently RBI policy of SLR and CRR**.**

6. FINDINGS

- While SBI was maintaining SLR just close to RBI's SLR, ICICI was maintaining SLR very high as compared to RBI SLR. It can be interpreted that ICICI has been maintaining higher short term liquidity as compared to RBI.
- It can be concluded that SBI has been following a High risk liquidity management policy as compared to ICICI bank. Relatively ICICI maintained higher liquidity in comparison with SBI.
- The trend indicates that ICICI has been following better liquidity policy to ensure higher liquidity coverage of total deposits as compared to SBI. As such ICICI bank is less risky for its depositors as compared to SBI.
- In order to understand the consistency of Liquidity management on the lines of official SLR, DCR trend is compared with SLR. The deviation analysis of DCR from official SLR shows that SBI has higher deviation as compared to ICICI bank. It can be concluded that ICICI has been following more consistent approach with the liquidity policy of RBI.
- In spite of the variations in the CRR of both the banks, it can be observed that both the banks followed more closely the CRR policy of RBI as compared to SLR policy of RBI.
- Though the correlation between liquidity and profitability showed a negative correlation, in effect it means that SLR had an inverse relationship with profitability. This means ICICI has been more prudent in managing its liquidity in order to ensure that its profitability is not affected adversely.
- It can be interpreted that ICICI bank has been investing more in short term assets such as marketable securities, interbank investments and other short term yield based investments and at the same time reducing idle cash reserves. All this resulted in better profitability for ICICI bank in spite of being consistent with RBI policy of SLR and CRR.

REFERENCES

1. Douglas W. Diamond and Raghuram G. Rajan,(2001) "Liquidity Risk, Liquidity Creation and Financial Fragility: A Theory of Banking", Journal Political Economy, 9(2), 287-327.
2. Karthik Srinivasan and Vineet Gupta 2007. Liquidity Management in banks – An Incresingly complex affairs www.icar.in/files/articles/2007-Feb- Liquidity Management in bank.pdf
3. Padmalatha Suresh, Justin Paul (2010) "Management of Banking and Financial Service ", "Pearson Education India ", Second edition 2010, 64-68.
4. A.S. Ramanarayanan and A. W. Unas, Liquidity Management in Financial Service Sectors – With Special Refernce to Public Sector Banks of India" International Journal of Emerging Research in Management & Technology, Aug. 2014. ISSN: 2278-9359, 3(8), 21-24.
5. Guillermo Alger , Ingda Alger 1999, Liguid Assets in Banks:Theory and Practice, www.bc.edu/EC-P/WP446.pdf.
6. Kaminsky, G.L. and Schmukler, S.L., (2003), Short – run pain, long run gain: The effects of financial liberalisation, IMF Working Paper WP/03/34.
7. Anil Sasi "*RBI Liquidity heightening threatens to take toll on bank Asset quality* ", "The Indian Express August 05, 2013 ".
8. Berger.A.N, Bouwman C.H.S, (2010) . How does Capital effect bank performance during Financial Crisis < http://ssrm.com/abstract 739089 >
9. Reserve Bank of India, "Statistical Table Relating to Banks in India 2010-11, 2011-12, 2012-13.
10. Annual Reports of SBI, ICICI Bank

Table no. 1 Analysis of Statutory Liquidity Deviations

Items	Banks	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Mean	SD
SLR	**RBI**	25	25	24	24	25	24	24	23	23	21.5	21	19.5	23.25	1.68
SLR	**SBI**	24.11	24.61	26.73	33.79	22.62	26.62	20.78	21.3	22.15	26.82	17.57	14.04	23.43	4.81
SLR	**ICICI**	45.43	73.93	59.64	47.82	46.16	33.54	32.63	33.79	29.17	25.74	31	30.68	40.79	13.79
Deviation	**RBI - SBI**	0.89	0.39	-2.73	-9.79	2.38	-2.62	3.22	1.7	0.85	-5.32	3.43	5.46	-0.18	4.09
Deviation	**RBI - ICICI**	-20.43	-48.93	-35.64	-23.82	-21.16	-9.54	-8.63	-10.79	-6.17	-4.24	-10	-11.18	-17.54	12.8

Table no. 2 Analysis of DCR Deviations

Items	Banks	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Mean	SD
SLR	**RBI**	25	25	24	24	25	24	24	23	23	21.5	21	19.5	23.25	1.68
DCR	**SBI**	12.1	11.93	12.55	14.07	10.72	13.16	9.31	9.55	9.51	11.09	7.49	6.26	10.65	2.22
DCR	**ICICI**	10.32	16.1	15.56	13.72	19.24	15.11	14.18	14.15	12.51	11.7	14.21	15.45	14.35	2.19
Deviaiton	**RBI – SBI**	12.9	13.07	11.45	9.93	14.28	10.84	14.69	13.45	13.49	10.41	13.51	13.24		
Deviaiton	**RBI – ICICI**	14.68	8.9	8.44	10.28	5.76	8.89	9.82	8.85	10.49	9.8	6.79	4.05		

Table no. 3 Analysis of Liability Coverage

Items	Banks	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Mean	SD
TLCR	SBI	11.2	10.93	11.45	13.12	9.5	11.67	8.3	8.37	8.4	9.81	6.31	5.42	9.54	2.19
TLCR	ICICI	8.37	13.17	12.27	10.49	13.12	10.17	9.15	9.46	8.53	7.92	10.04	11.87	10.38	1.76

Table no. 4 Analysis of CRR Deviation

(Rs. in Crore)

Items	Banks	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Mean	Std Dev
CRR	**SBI**	5.24	6.1	8.99	6.91	6.77	9.31	4.11	4.51	5.2	6.4	6.62	5.67	6.32	1.52
	ICICI	4.68	7.22	10.85	6.72	11.97	7.59	6.18	4.91	5.01	5.25	4.87	5	6.69	2.32
CRR	**RBI**	5	6	7.75	5	6	6	4.75	4	4	4	4	4.00	5.04	1.14
Deviations	RBI – SBI	-0.24	-0.1	-1.24	-1.91	-0.77	-3.31	0.64	-0.51	-1.2	-2.4	-2.62	-1.67		
Deviations	RBI – ICICI	0.32	-1.22	-3.1	-1.72	-5.97	-1.59	-1.43	-0.91	-1.01	-1.25	-0.87	-1		

Table no. 5: Analysis of Correlation between SLR, ROA and ROE

Raios	Banks	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Mean	SD	Correlation
SLR	SBI	12.1	11.93	12.55	14.07	10.72	13.16	9.31	9.55	9.51	11.09	7.49	6.26	10.65	2.22	
	ICICI	10.32	16.1	15.56	13.72	19.24	15.11	14.18	14.15	12.51	11.7	14.21	15.45	14.35	2.19	
ROA	SBI	0.89	0.84	1.01	1.04	0.88	0.71	0.88	0.97	0.65	0.68	0.46	0.41	0.79	0.20	0.72
	ICICI	1.3	1.09	1.12	1.5	0.91	1.7	0.97	1.7	1.78	1.86	1.49	1.35	1.40	0.31	-0.57
ROE	SBI	15.47	14.24	17.82	15.07	14.04	12.84	14.36	15.94	10.49	11.17	7.74	7.25	13.04	3.12	0.72
	ICICI	14.33	13.17	8.94	7.58	7.79	9.35	10.7	12.48	13.4	15	10.8	9.7	11.10	2.42	-0.68

Table no. 6 - Analysis of Correlation between CRR, ROA and ROE

Raios	Banks	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Mean	SD	Correlation
CRR	SBI	5.24	6.1	8.99	6.91	6.77	9.31	4.11	4.51	5.2	6.4	6.62	5.67	6.32	1.52	
	ICICI	4.68	7.22	10.85	6.72	11.97	7.59	6.18	4.91	5.01	5.25	4.87	5	6.69	2.32	
ROA	SBI	0.89	0.84	1.01	1.04	0.88	0.71	0.88	0.97	0.65	0.68	0.46	0.41	0.79	0.20	0.05
	ICICI	1.3	1.09	1.12	1.5	0.91	1.7	0.97	1.7	1.78	1.86	1.49	1.35	1.40	0.31	-0.59
ROE	SBI	15.47	14.24	17.82	15.07	14.04	12.84	14.36	15.94	10.49	11.17	7.74	7.25	13.04	3.12	0.13
	ICICI	14.33	13.17	8.94	7.58	7.79	9.35	10.7	12.48	13.4	15	10.8	9.7	11.10	2.42	-0.63

National Seminar (MIBS - 2018)
MODERN INITIATIVES IN BANKING SECTOR – STRATEGIC PERSPECTIVES
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

WORK LIFE BALANCE AMONG WOMEN EMPLOYEES IN BANKING SECTOR : A STUDY OF WARANGAL CITY

Dr. P. Mohan
Principal, Sree Kavitha Institute of Management, Konijerla, Khammam

Abstract: *With an increasing number of women entering the workforce and the Indian Banking industries facing a talent shortage, it appears that understanding the role of work and family in the lives of banking professionals will become an important HR concern. While their self-identities primarily lie in their work, they are strongly influenced to perform the roles of homemaker and dependent care provider given the societal expectations; this does require negotiation both at home and at work in terms of how and when work can be done. Work life balance refers to maintaining the balance between responsibilities at work and at home. This paper aims at examining the work life balance among the women employees in Public Sector Banking Organizations. This study adopts descriptive research design involving random sampling procedure. Primary data was collected using Structured Questionnaire method. The sample size was 100 and the respondents examined were Senior Level Executive cadre working in Public Sector banking Organizations at Warangal Region. The statistical tools applied were Standard Deviation and ANOVA. The results indicated that there is significant affect of Age factor and marital status on the aspect of work life balance.*

Key Words: *Work Life Balance, Working women, Public Sector Banking Organizations, Age, Marital status and Family Structure.*

1. INTRODUCTION

The societal role expectations, Banking career ambitions, and the nature of the Banking industry challenges the way they manage their professional and personal lives. While their self-identities primarily lie in their work, they are strongly influenced to perform the roles of homemaker and dependent care provider given the societal expectations; this does require negotiation both at home and at work in terms of how and when work can be done. Furthermore, women who had taken a slow track in their career growth, mentioned that this was a conscious choice as they felt their families needed them more at that point of time.

An implication is that organizations may not be effectively utilizing their talent; however implementing HR policies and practices would facilitate women in pursuing their career goals and dependent care responsibilities. With an increasing number of women entering the workforce and the Indian Banking Industry facing a talent shortage, it appears that understanding the role of work and family in the lives of Banking professionals will become an important HR concern.

Indian Banking professionals can achieve the work–family balance by setting priorities in their work and personal lives and by having support systems both at work, formally through HR policies and programmes, or informally through supervisor and co-worker support and at home. The data raised issues that need to be addressed both from an academic and practice point of view. The identified dimensions could serve as a platform for further research on Banking professionals and the work–life balance which will serve as a guide for organizations to address the work–family balance issues of working Banking professionals by designing and implementing HR policies and practices for facilitating the work–family balance. This, in turn, would go a long way in enabling them to perform better at work, be more committed to the organization, and ultimately contribute to the growth of the economy and positively impact society as whole.

2. REVIEW OF LITERATURE

Lot of research has been taken place in terms of work-life balance. Time to time some factors are been unveiled that are some or the other way responsible for creating disturbance in work and life. From some researches, we understand that there are four general policy areas that that may be considered very important for discussion in this domain (Brough et al. 2008; Baird 2011; Hegewisch and Gornick 2011). The first primarily talks about employee-centered flexibility, like, changing the location or scheduling of work to make working more convenient. Its positive impact can also be seen on health and wellbeing and job outcomes (Nijp 2012). However, there are varieties of mixed evidence pertaining to the degree to which flexible work practices in a different way put impact on work-life outcomes (Allen 2013).

The second area is the concept of leaves in terms of paid and unpaid leave. It means how much the employees can avail leaves for their family reasons like maternity leaves, paternity leaves so that they can address their family responsibilities (Baird and Whitehouse 2012, King 2012). There are empirical researches which points at the fact that maternity leaves is highly beneficial in terms of good health for mother as well as care for the child. However, there is research which has come out with observation that fathers are unable to utilize their paternity leave (Smith and Williams 2007; Haas and Rostgaard 2011; Hegewisch and Gornick 2011).

The third policy in studying work-life balance is the working hours. Majority of research from Australia and overseas suggests that there is direct impact on work related stress leading to conflict because of long working hours (Holden 2010). This actually gives rise to the fourth area, which strives on childcare and the impact of this on the employees. Just as paid parental leave, access to high quality childcare is also considered a very essential support in terms of parents‘ participation in paid work. It is a critical and delicate issue pertaining to the care of the children especially when parents are working. The slight imbalance causes conflict and leads to immense pressure on the parents leading to work life imbalance (Bianchi and Milkie 2010).

Women‘s employment participation (Breunig et al. 2011) is also an important factor to be taken care and it was agreed that these are the factors that influence parents‘ decisions to go for a certain type of childcare provision (e.g., family-provided or formal services); or issues related to children‘s health (Bohanna et al. 2012). By reviewing another ten different studies from New Zealand and Australia regarding working hours, it was concluded that working hours has a direct impact on work life balance.

3. OBJECTIVES OF THE STUDY:

- To study the constraints of work life balance faced by the working women in Public Sector Banking Organizations.
- To analyze the factors that paves to imbalance in work life balance.
- To measure the effect of age, marital status and family structure on work life balance.

4. HYPOTHESIS (ALTERNATE):

H_{a1} : Age factor significantly affects Work Life Balance
H_{a2} : Marital status significantly affects Work Life Balance
H_{a3} : Family structure significantly affects Work Life Balance

5. RESEARCH METHODOLOGY:

The present study adopts descriptive Research Design. Random Sampling method was applied to collect the data from the sample. Structured Questionnaire method was employed in order to collect the primary data. The population included in the study was Female Banking professionals in the Warangal Region working in senior level executive cadre in Public Sector Banks. The respondents were selected from Public Sector banking Organizations like State Bank of India, Andhra Bank, Indian Bank, Central Bank of India and Indian Overseas Bank. 20 respondents were selected from each banking organization.

The sample size is 100 and the statistical tools applied for the data analysis were Mean, Standard Deviation and ANOVA

6. ANALYSIS AND FINDINGS

Verification of Hypothesis- H_{a1}

Table-1 - One-Way Anova for Age Groups and WLB

LBA	Sum of Squares	d.f.	Mean Square	F	Sig.
Between Groups	1.628	2	0.814	11.151	0.000
Within Groups	7.008	96	0.073		
Total	8.636	98			

The above table reveals that age factor significantly affects work life balance as p-value (0.000) is less than $\alpha(0.05)$ and it implies that age factor affects work life balance. Hence the above hypothesis (H_{a1}) is accepted.

Verification of Hypothesis-H_{a2}

Table -2 - One-Way Anova for Marital Status and WLB

WLBA	Sum of Squares	d.f.	Mean Square	F	Sig.
Between Groups	0.714	1	0.714	10.348	0.001
Within Groups	6.762	98	0.069		
Total	7.476	99			

The above table reveals that marital status significantly affects work life balance as p-value (0.001) is less than α(0.05) and it implies that Marital status affects work life balance. Hence the above hypothesis (H_{a2}) is accepted.

Verification of Hypothesis-H_{a3}

Table -3 - One-Way Anova for Family Structure and WLB

WLBA	Sum of Squares	d.f.	Mean Square	F	Sig.
Between Groups	0.192	1	0.192	2.667	0.134
Within Groups	7.056	98	0.072		
Total	7.248	99			

The above table reveals that Family Structure does not affects work life balance as p-value (0.134) is more than α(0.05) and it implies that family structure does not affects work life balance. Hence the above hypothesis (H_{a3}) is rejected.

7. CONCLUSION

It can be concluded from the study that age factor and marital status have a significant affect on work life balance and family structure has not much affect on the aspect of work life balance. It was found from the study that age factor is having a significant impact on work life balance and the aspect of marital status also significantly influence work life balance. The working women banking professionals need cooperative family support and friendly organizational environment. These elements include personal attitudes, health factors, work load issues and other job related aspects. Thus effective strategies for maintaining work life balance are to be framed for increasing the employee participation, commitment and organizational productivity.

8. SUGGESTIONS

In the light of the above findings and conclusion the following suggestions were made in order to improve the work life balance among the women employees in banking sector.

- Effective counseling programmes and health camps are to be provided to the employees in order to handle job stress and family pressures.
- Flexibility in the performance of work related aspects is to be practiced by the organizations in order to overcome job stress and burnout.
- Career development programs are to be implemented in the organizations in order to provide the employees with a sense of development and surety.
- Better work environment and transportation facilities are to be provided by the banking organizations to their women employees in order to rejuvenate their performance levels.

REFERENCES

1. Allen, T. D., Johnson, R. C., Kiburz, K. M., & Shockley, K. M. (2013). Work–family conflict and flexible work arrangements: Deconstructing flexibility. Personnel Psychology, 66(2), 345–376.
2. Breunig, R, Weiss, A, Yamauchi, C, Gong, X & Mercante, J 2011. Child care availability, quality and affordability: Are local problems related to labour supply? Economic Record, 87(276), 109–124.
3. Bohanna, I., Davis, E., Corr, L., Priest, N., & Tan, H. (2012). Family day care in Australia: A systematic review of research (1996–2010). Australasian Journal of Early Childhood, 37(4), 138–146.
4. Brough, P., Holt, J., Bauld, R., Biggs, A., & Ryan, C. (2008). The ability of work—life balance policies to influence key social / organizational issues. Asia Pacific Journal of Human Resources, 46(3), 261–274.
5. Baird, M. (2011). The state, work and family in Australia. The International Journal of Human Resource Management, 22(18), 3742–3754.
6. Baird, M., & Whitehouse, G. (2012). Paid Parental Leave: First Birthday Policy Review. Australian Bulletin of Labour, 38(3), 184–198.

7. Bianchi, S. M., & Milkie, M. A. (2010). Work and family research in the first decade of the 21st century. Journal of Marriage and Family, 72(3), 705–725.
8. Hegewisch, A., & Gornick, J. C. (2011). The impact of work-family policies on women's employment: a review of research from OECD countries, Community. Work and Family, 14(2), 119–138.
9. Haas, L., & Rostgaard, T. (2011). Fathers‘ rights to paid parental leave in the Nordic countries: Consequences for the gendered division of leave, Community. Work and Family, 14(2), 177–195.
10. Holden, L, Scuffham, P., Hilton, M., Vecchio, N., & Whiteford, H. (2010). Work performance decrements are associated with Australian working conditions. Journal of Occupational and Environmental Medicine, 52(3), 281–290.
11. King, R., Karuntzos, G., Casper, L., Moen, P., Davis, K., Berkman, L., Durham, M., & Kossek, E. (2012). Work–family balance issues and work–leave policies. In Gatchel, R. J. and Schultz, I. Z. (eds.), Handbook of Occupational Health and Wellness. Springer US.
12. Nijp, H. H. M., Beckers, D. G. J. P., Geurts, SaEP, Tucker, P. P., & Kompier, MaJP. (2012). Systematic review on the association between employee work time control and work-non-work balance, health and well-being, and job-related outcomes. Scandinavian Journal of Work, Environment and Health, 38(4), 299-313.
13. Smith, A. J., & Williams, D. R. (2007). Father-friendly legislation and paternal time across Western Europe. Journal of Comparative Policy Analysis: Research and Practice, 9(2), 175–192.

National Seminar (MIBS - 2018)
MODERN INITIATIVES IN BANKING SECTOR – STRATEGIC PERSPECTIVES
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

CATASTROPHES OF WHITE COLLAR CRIMES - A STUDY ON INDIAN BANKING

Dr. MAYURI SRIVASTAVA
Assistant Professor, Department of Commerce & Business Management, University Arts & Science College, Kakatiya University, Warangal

Dr. RAJ KUMAR BOORA
Assitant Professor, College of Administration and Finance, Saudi Electronic University, Kingdom of Saudi Arabia

Abstract: *Indian banking has seen an enormous progress since the implementation of liberalization policies in the Indian economy way back 1991. It is controlled and administered by the Reserve Bank of India (RBI) and has a status of being governed with rigorous commandments and guidelines in place. It is widely thought that it was because of these rules that Indian economy could emerge unscathed from the jitters of the Financial Crisis of 2008 that were felt all over the world. However, the banking sector in India faces its own challenges when it comes to ethical practices, financial distress and corporate governance. The present study is both descriptive and empirical in nature and the paper is intended to demystify white-collar crime in Indian banking sector and also to gauge its impact.*

Key Words: *Banking Sector, White-collar crime*

1. INTRODUCTION

White-collar crime is prevalent not only in the advanced countries, but in emergent economies like India as well. Public Sector Banks in India lost at least Rs 22,743 crore owing to falsified banking activities between 2012 and 2016. More than 25,600 banking fraud cases, and their value is worth of Rs 1.79 billion up to last year. According to RBI statistics' for the first nine months of financial year 2017, around 455 cases of fraud transactions - each of over hundred thousand or above - were detected at ICICI Bank; in SBI 429 were detected, followed with 244 and 237 cases at Standard Chartered Bank and HDFC Bank respectively.

2. OBJECTIVES OF THE STUDY

- To study the notion of White Collar frauds prevalent in today's scenario.
- To suggest the Remedies for the white-collar crime hazards.

3. REVIEW OF LITERATURE

According to the Zee Research Group (ZRG)[1] analysis, during the last decade, the Indian banking sector grew at an average rate of 18% in comparison to 7 % GDP growth rate. However, during the same period, cyber fraud in the banking sector has emerged as a big problem and a cause of worry for this sector. Some specific literature has been reviewed to find Research work being done by professionals, Scholars and organization. Beirstaker Brody got Best Actor, Various techniques, pacini[2] has suggested that such cheating weakness To review the policies, fraud hotlines, telephone, Employee reference check, vendor to review the contract and Ban analysis (analytical review financial ratios etc.), Password protection, conservation and firewalls digital analysis and For detection of other forms of equipment software frauds and Control. Gupta[3]. The 'Consumer study in India Internet Banking and Bank's strategy and weaknesses traditional banking Identifies explores tried to consumer awareness that, Models use of Internet satisfaction and priorities, Also highlighted as compared banking factors as banking and traditional It may be that affected Internet strategy of the bank for adopting Banking while addressing the concern of Internet this regulatory and Banking can supervise. Ashu Khanna, Bindu Arora[4] in their survey based work „A study to investigate the reasons for bank frauds and the implementation of preventive security controls in Indian banking industry" done to find out the attitude of and measures taken by bank employees/ managers in controlling banking cybercrimes observed The bank employees do not give due importance to the problem of frauds. The awareness level of bank employees regarding bank frauds is not very satisfactory, and majority of them do not dispose favorable attitude towards RBI procedures as they find difficulty in following them due to workload and pressure of competition. Hemraj Saini, Yerra Shankar Rao and T.C. Panda[5]in their study "Cyber-Crimes and their Impacts: A Review" have described the problem and kinds of cybercrimes with their effects on different segments the society in general. B. Singh[6]in their report "Online Banking Frauds In India" has observed that Cybercrimes in India are on rise thanks to the growing use of information technology. With limited numbers of cyber law firms in India, these cybercrimes are not reported properly. Even the cyber security of India is still catching up with the present requirements.

4. Financial Reforms towards Modern Banking

The initiation of the banking segment reforms in India came from two official reports, viz., the Report of the Committee on Financial System (Reserve Bank of India, 1991) and the Report of the Committee on Banking Sector Reforms (Government of India, 1998), which are administered by ex-Governor of the RBI, M Narasimham. The Committee in 1991 was primarily keen to improving operational autonomy in the commercial banking sector and suggested procedures like reduction of pre-emption of banks' investible capitals (via a reduction of cash reserve ratio (CRR) and statutory liquidity ratio (SLR)) and steadily removal of the administered interest rate structure. In 1998 the committee recommended further measures for streamlining the banking sector through improved regulation and administration, and introduction of prudential norms. It also recommended a review of the bank proprietorship structure in India.

Other essentials of financial sector transformations in India contain substantial reduction of financial repression (including removal of automatic monetization); dismantling of the complex administered interest rate pattern to permit the practice of price discovery; providing operational and functional sovereignty to public sector establishments; preparing the financial system for increasing international competition; opening the external sector in a standardized manner; and promoting financial steadiness in the wake of domestic and external shocks. All these actions were designed to create a well-organized, dynamic and profitable financial sector. Gradual decline of CRR from 15 percent to about 4 percent, and reduction in the SLR10 from nearly 40 percent to 21.5 percent between the early 1990s and the mid-2010s have made a huge enhancement to the obtainability of lendable resources to the banking sector.

5. White Collar Crimes – Time line

Between 2004 and 2016, the Serious Fraud Investigation Office was asked to probe 469 cases, of which 184 companies were alone probed in 2015-16.6,533 corruption was prepared by CBI, of which 517 have come up in the past 2 years. Further, an assessed value of Rs 4,000 crore of trading is carried out on the BSE using bogus or duplicate PAN cards. And, online fraud has escalated in Maharashtra reporting 999 cases. India’s share in black money concealed across global tax havens is estimated to be $181 billion and the situation is grim. In the recent past, it was exposed that the card data of 3.2 million customers were stolen from a network of YES Bank ATMs managed by Hitachi Payment Services. On its part, the government has launched several initiatives to tackle fraud, bribery, corruption and other white-collar crimes.

In 2015, India ranked 76th on Transparency International’s corruption perception index (CPI), up from 85th in 2014. This enhancement in ranking mirrors the fall in corruption grievances received. Number of corruption complaints received by the chief vigilance commissioner declined from 64,000 in 2014 to 29,838 in 2015. Perceptions over the extent of corruption in India also seem to have improved.

6. Categories of Banks Frauds

- Misappropriation and criminal breach of trust.
- Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property.
- Unauthorized credit facilities extended for reward or for illegal gratification.
- Cash shortages.
- Cheating and forgery.
- Fraudulent transactions involving foreign exchange
- Any other type of fraud not coming under the specific heads as above.

Table 1

Frauds Cases in Banks from 2014-15 to 2016-17

Private Sector Banks	Staff involved in Frauds	568
	No. of Frauds	4156
Public Sector Banks	Staff involved in Frauds	1146
	No. of Frauds	8622

It is evident from the above table that, a total of 12,778 cases of fraud were reported in all scheduled commercial banks and private banks in the last 3 years between 2014-15 and 2016-17. The Public Sector banks reported 8622 cases where as the Private sector Banks reported 4156 cases. The involvement of staff was reported to an extent of 568 cases in private sector banks where as it is 1146 in public sector banks which is more than 13% of the fraud cases.

Table 2

Bank Wise Frauds Cases from 2014-15to 2016-17

SBI	2466
Bank of Baroda	782
Syndicate Bank	552
Central Bank of India	527
Punjab National Bank	471
Bank of India	449
Union Bank of India	368
Indian overseas Bank	342
Canara Bank	327
OBC	297
IDBI bank Ltd	292
Corporation Bank	291
Indian Bank	261
UCO Bank	231
United Bank of India	225

SBI the country's largest bank tops the list of most cases were reported of frauds in the 3 year period between 2014-15 and 2016-17. Four Public Sector banks reported more than 500 cases each during this period while 15 banks reported more than 200 fraud cases each. Only Punjab & Sind Bank reported less than 100 fraud cases during this period.

The government has also informed that action was taken against 5200 employees of the Public Sector banks for their involvement in fraud between January 2015 and March 2017.

More than 4000 cases of Cheque/Debit Card/Credit Card related fraud cases, each involving an amount of Rs One lakh and above have been reported by the banks between 2014-15 and 2016-17. The total amount involved in such frauds was close to Rs 200 crore.

Maharashtra tops the list of most of fraudulent cases reported 1134 with an amount of 602.1 Million rupees, the only state to report more than 1000 cases during this period. Haryana, Tamil Nadu & Karnataka followed Maharashtra with 648, 616 and 515 respectively and these are the only other states to have reported more than 500 such cases each. These three states amount lost an amount of Rs.328.5, 170.9, 211.7 million respectively. On the other side Chhattisgarh and Jharkhand are the states which have registered lowest fraudulent cases. During the said period both states registered 48 cases put together with an amount of Rs.16.7 and 16.5 million respectively.

Table 3

State wise fraud cases registered

States	Total Fraud Cases	Total Amount In Rs. Lakhs
Maharashtra	1134	6,021
Haryana	648	3285
Tamil Nadu	616	1709
Karnataka	515	2117
Delhi	344	1796
Uttar Pradesh	193	875
Andhra Pradesh	98	433
West Bengal	96	374
Gujarat	88	634
Rajasthan	43	525
Bihar	37	438
Kerala	29	109
Punjab	29	228
Madhya Pradesh	27	211
Jharkhand	26	165
Chhattisgarh	22	167

7. Remedies for the white-collar crime hazard

It is crucial to upgrade and undertake essential initiatives in terms of technology implementations, skill advancement, compliance framework, changing people's mind-set and enlightening processes to battle with white-collar crime. Some proposals to make way for India to convert a digitally progressive country in terms of white-collar crime investigations are as follows:

- **Formation of entities specialized in forensic skills:** Forensic examinations have developed an intrinsic part of the superior governance framework. With growing cases of white-collars crime, it is becoming critical to have proper training and skill-building exercises around forensic investigations.
- **Establishing technology centers of excellence:** Formation of a central data storehouse by assembling various data points, including spending behavior of individuals and information of critical financial transactions. Use of the data collated to monitor mistrustful behavior and perform extrapolative analysis during investigations, whenever required.
- **Moving towards transparency:** Driving transparency is key to creating a sustainable ethical framework. It is driven by factors such as new and improved guidelines, greater implementation activities, improved public awareness and the Government's inventiveness to promote the country as an investment hub.
- **Augmenting awareness and incentivizing whistle-blowers:** Public service announcements are one of the oldest and most successful means to create awareness among the masses. It has gained popularity in the recent past due to the emergence of social networking sites, making it easier to share video content. This platform could be utilized as a vehicle of communication to spread awareness among the masses about sound governance, common laws governing corruption and accessibility to ombudsmen.

8. CONCLUSION

White collar crimes may be largely due to lack of oversight of top management, defective incentive mechanism in place for employees, conspiracy between the staffs or corporate borrowers and third party organizations, weak governing system, lack of suitable tools and technologies in place to sense the early warning signals of a fraud, lack of consciousness of bank employees and customers, lack of synchronization among different banks across India and abroad. The only promising step is to create consciousness among people about their rights and duties, and make application of laws more stringent to check crimes. Banks should ensure that the reporting system is suitably streamlined so that frauds are reported without any delay and fix staff accountability. Banks must provide sufficient focus on the "Fraud Prevention and Management Function" to enable effective investigation of fraud cases. Banks can also frame internal policy for fraud risk management and fraud investigation function, based on the governance standards relating to the ownership of the function and accountability for malfunctioning of the fraud risk management process in their banks.

REFERENCES

1. SiddharthTak, Cyber frauds raise their ugly head yet again, Zee Research Group. Retrieved fromhttp://zeenews.india.com/exclusive/cyber-frauds-raise-theirugly- head-yet again_6113.html (2013)
2. Bierstaker J., Brody R.G. and Pacini C., Accountants perception regarding fraud detection and Prevention methods, Managerial Auditing Journal, 21(5), 520-535 (2006)
3. Gupta P.K., Internet Banking in India–Consumer Concerns and Bank Strategies, Global Journal of Business Research, 2(1), (2008)
4. Khanna Ashu and Arora Bindu, A study to investigate the reasons for bank frauds and the implementation of preventive security controls in Indian banking industry, Int. J.Bus. Sci. &App. Mgmt., 4(3), (2009)
5. Saini Hemraj, Rao Yerra Shankar and Panda T.C., Cyber- Crimes and their Impacts: A Review‟, IJERA, 2(2), 202-209 (2012)
6. Singh B., Online Banking Frauds in India, Report, Retrieved from http://perry4law.org, March 24, (2013).
7. Institute of Internal Auditors (2009). International Professional Practices Framework, IIA.
8. Ernest & Young (2010). Proactive Fraud Monitoring For Banks in India. Available at www.ey.com/india.
9. Deloitte Fraud Survey (2015), The Deloitte India Banking Fraud Survey Report Edition II. Available at www.deloittee.com/in.

National Seminar (MIBS - 2018)
MODERN INITIATIVES IN BANKING SECTOR – STRATEGIC IMPLICATIONS
20th & 21st April, 2018 at University College of Commerce & Management, Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

BASEL III REFORMS PERSPECTIVE OF INDIAN BANKING SECTORS

Dr. S.N.SANGEETHA
Assistant Professor (C),
University College for Women.
Kakatiya University,Warangal,

Abstract: *There is a wide body of evidence that the most severe economic crises are associated with banking sector distress and banking crises result in losses in economic output. The objective of the Basel III reforms is to reduce the probability and severity of future crises. This will involve some costs arising from stronger regulatory capital and liquidity requirements and more intense and intrusive supervision. Basel III is fundamentally different from Basel I and Basel II. One central focus is strengthening global capital and liquidity rules (Basel III) with the goal of improving the banking sector's ability to absorb shocks arising from financial and economic stress. Basel III emphasizes the need for transparent and comparable accounting rules and for improvements in corporate governance, imposition of a group leverage ratio and proposes a Non-Operating Holding Company Structure reforms that are essential to deal with contagion and counterparty risk that are so integral to the too big to fail' issue. The paper deals with the Basel III reforms perspective of Indian banking sectors and adoption of the Basel III capital framework for banks.*

Keywords*: Basel III reforms perspective of Indian banking sectors, Adoption status of Basel III.*

1. INTRODUCTION

Basel III framework was basically the response of the global banking regulators to deal with the factors, more specifically those relating to the banking system that led to the global economic crisis or the great recession. In the advanced economies, there was a huge fiscal cost for protecting the financial system, which those governments did not want a repeat of. The framework therefore sought to increase the capital and improve the quality thereof to enhance the loss absorption capacity and resilience of the banks, brought in a leverage ratio to contain balance sheet expansion in relation to capital, introduced measures to ensure sound liquidity risk management framework in the form of liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), modified provisioning norms and of course enhanced disclosure requirements.

The 'perception' of a lower standard regulatory regime will put Indian banks at a disadvantage in global competition, especially because the implementation of Basel III is subject to a "peer group" review whose findings will be in the public domain. Deviation from Basel III will also hurt us in actual practice to recognize that Basel III provides for improved risk management systems in banks. It is important that Indian banks have the cushion afforded by these risk management systems to withstand shocks from external systems, especially as they deepen their links with the global financial system going forward."

After several false starts, global growth and trade have been gaining traction in 2017 so far, supported by accommodative monetary policy and conducive financial conditions. Despite commodity prices firming up, inflation has remained quiescent in both advanced and emerging economies. Global financial markets have been generally buoyant and the effects of geopolitical events, including announcements, have been muted or short-lived. With accommodative policies in advanced economies (AEs) supporting asset prices and spurring a search for returns, investor appetite for emerging market economies (EMEs) as an asset class has been stoked, propelling capital flows to them, *albeit* with some discrimination against economies with relatively weaker macro fundamentals. Nonetheless, risks to the outlook are still tilted to the downside, with political and policy uncertainties posing threats to global financial stability. In this environment, banking regulators are preparing for the full implementation of Basel III prudential regulations and the adoption of the revised global accounting standards. In parallel, developments like FinTech and the growth of crypto currencies are presenting both opportunities and challenges.

2. REVIEW OF LITERATURE

India's struggling banking sector will face a period of lower profitability as it seeks to raise at least Rs. 5000 billion in extra capital to meet the new Basel-III international banking standards (Jain,2012). The main cause for systemic failure in the last global crisis were seen liked with banks working within the broad global regulatory framework but failed to restrain excessive leverage and risk taking(Blundell-Wignall, Wehinger and Slovik). According to BCBS (2010), a one percentage point increase in the capital ratio raises loan spreads by 13 basis points, and a median 0.09% decline in output(Sengupta,2011). It has been observed that developing countries assets are subject to more volatility and procyclicity than developed countries (Stijn Claessens et al., 2008). New generation private sector banks are better equipped to face challenges of the Basel III guidelines in comparison to PSU banks because of their high capital adequacy ratios, enhanced proportion of common equity, better IT and other modern financial skills of the personnel(Balasubramaniam) . State run banks of India have shifted their portfolio to reduce capital requirements in the post reform period which have had a dampening effect on overall credit supply(Nag & Das ,2002) ,Ghosh & Nachane,2003).

3. OBJECTIVES OF THE STUDY

The objectives of the study are:
- To study the Basel III reforms perspective of Indian banking sectors,
- To focus on the Adoption status of Basel III.

4. DATA SOURCES AND METHODOLOGY

The data used in the study is secondary in nature and is collected from various websites, newspapers, journals, annual reports of RBI 2016-17 and reports on trends and progress of banking in India 2016-17.

5. STRENGTHENING AND HARMONIZING BANKING SECTOR REGULATION

The Reserve Bank has adopted Basel III norms for implementation in a phased manner. Apart from an improved capital framework and liquidity ratios like the liquidity coverage ratio (LCR) and the upcoming net stable funding ratio (NSFR), the Reserve Bank has also been aligning the regulatory and supervisory frameworks for NBFCs, all India financial institutions (AIFIs) and co-operative banks with that of commercial banks with the objective of eschewing regulatory arbitrage.3 Moreover, the Ind AS standards prescribed for commercial banks, have been made mandatory for both AIFIs and NBFCs from April 2018. A formal PCA framework has been introduced for NBFCs from March 30, 2017 and a comprehensive Information Technology (IT) framework from June 8, 2017. Multiple categories of NBFCs are being rationalized into fewer categories. Along with strengthening co-operative banks through consolidation, the tiers in the cooperative structure are also being reduced. The medium-term goal is to move towards activity-based regulation rather than entity-based regulation. In this context, the evolution of regulatory practices in other jurisdictions vis-à-vis the Basel III guidelines in the post-global financial crisis period offers interesting insights that could inform the approaches being envisaged in India.

6. GLOBAL POLICY REFORMS

Drawing lessons from the GFC, a number of reforms are underway to reduce the likelihood and severity of future cataclysms while nurturing an open and integrated global financial framework in supporting the G20 objectives of strong, sustainable and balanced growth.

7. REGULATORY REFORMS

The reform programme has four core elements: (i) making financial institutions more resilient; (ii) ending the too-big-to-fail (TBTF); (iii) making derivatives markets safer; and (iv) transforming shadow banking into resilient market-based finance. The main elements of reforms have been agreed to and the reforms are at various stages of implementation. Apart from these reforms, work is also underway to strengthen governance frameworks to reduce misconduct risks, assess and address the decline in correspondent banking and analyzing FinTech's potential financial stability implications. Making Financial Institutions More Resilient Considerable progress has been made in implementing the Basel III norms (below Table). As a result, banks now have a larger capital base and more liquid assets than before thereby building resilience without impeding credit supply. All major internationally active banks have met risk based capital and leverage ratio requirements well in advance of the deadline and global liquidity standards are catalyzing the change in bank funding models.

8. ADOPTION OF THE BASEL III CAPITAL FRAMEWORK FOR BANKS

There has been significant progress towards implementation of Basel III risk-based capital standards, the liquidity standards, the standards for global and domestic systemically important banks (SIBs), the leverage ratio, the large exposure framework and the interest rate risk in the banking book (IRRBB). Basel III Capital Regulations will be fully phased in for Indian banks by March 31, 2019, i.e., close to the internationally agreed date of January 1, 2019.

Table 1 - Adoption Status of Basel III
Number of Basel Committee members Jurisdiction (End- March 2017)

Basel Standards	BCBS agreed date of implementation	Status as of end- March 2017		
		Draft rules issued	Final rules issued (not in force)	Final rules in force
Risk based Capital Standards				
Definition of Capital	Jan 2013	-	-	27
Capital conservation buffer	Jan 2016	-	-	27
Counter cyclical buffer	Jan 2016	1	-	26
Capital requirements for equity investment in funds	Jan 2017	11	-	8
Standardized approach for measuring counter party credit risk (SA-CCR)	Jan 2017	13	1	6
Standardized framework	Jan 2018	11	3	-
Margin requirements for non-centrally cleared derivatives	Sep 2016	2	-	18
Capital requirements for CCPs	Jan 2017	11	1	6
Liquidity standards				
Liquidity coverage ratio (ICR)	Jan 2015	-	-	27
LCR disclosure requirements	Jan 2015	1	-	16
Net stable funding ratio (NSFR)	Jan 2018	16	1	1
NSFR disclosure requirements	Jan 2018	12	-	1
Other Basel III Standard				
Leverage ratio	Jan 2018	2	1	19
Leverage ratio disclosure requirement	Jan 2015	1	-	26
G-SIB requirements	Jan 2016	-	-	19
D-SIB requirements	Jan 2016	1	-	25
Pillar 3 disclosures	Dec 2016	3	9	8
Large exposure	Jan 2018	11	-	2

Source: Basel Committee on Banking Supervision (2017), implementation of Basel Standards, July.

The asset quality of the banking sector continued to be a concern during 2016-17. In the aftermath of the asset quality review (AQR) undertaken by the Reserve Bank beginning July 2015 and concomitantly with better recognition of non-performing assets (NPAs), the asset quality of banks, particularly the PSBs, deteriorated sharply. As of end-March 2017, 12.1 per cent of the advances of the banking system were stressed (sum of gross NPAs and restructured standard advances). A sharp increase in provisioning for NPAs adversely impacted the profitability of banks, with the PSBs as a whole continuing to incur net losses during 2016-17. The capital position of many banks also witnessed erosion even though the capital to risk-weighted assets ratio (CRAR) for the banking system as a whole marginally increased and continued to be above the regulatory minimum under the Basel III framework. The large amount of bad loans circumscribed the ability of banks to lend, as reflected in the declining credit growth in recent years. Large NPAs also led to risk aversion on the part of banks as apprehensions of loans turning into NPAs intensified. Furthermore, banks engaged in diversifying their credit portfolios, reducing their exposure from large industries and shifting towards the relatively less stressed categories of housing, personal loans and services.

As the banking sector struggled with the sizeable volume of NPAs, the Reserve Bank continued its efforts to fortify the regulatory framework through significant policy interventions for improving the banking system's ability to deal with distress. Pursuant to the promulgation of the Banking Regulation (Amendment) Ordinance, 2017, the Reserve Bank constituted an Internal Advisory Committee (IAC) to recommend cases that might be considered for reference under the Insolvency and Bankruptcy Code (IBC), 2016. On the recommendation of the IAC, the Reserve Bank directed banks to file proceedings under the IBC in respect of 12 accounts comprising about 25 per cent of the current gross NPAs of the banking system. The Reserve Bank also brought the Overseeing Committee under its aegis and strengthened it by adding three more members and by expanding its mandate to review the resolution of cases other than those under the Scheme for Sustainable Structuring of Stressed Assets (S4A scheme). Final guidelines on large exposures framework and enhancing credit supply for large borrowers through market mechanism were also issued in order to align the exposure norms for Indian banks with the Basel Committee on Banking Supervision (BCBS) standards and to further diversify the lending base of banks.

In pursuance of the regulatory stance in 2016-17, the Reserve Bank will continue to monitor and respond to banks' asset quality issues in 2017- 18 as well. Implementation of Indian Accounting Standard (Ind-AS) and the Basel III framework will remain the areas of focus during 2017-18. The revised framework for securitization, the minimum capital requirement for market risk, guidelines on net stable funding ratio (NSFR) and the guidelines on corporate governance as per Basel standards will be considered during the course of the year. The revised regulatory framework for the All India Financial Institutions (AIFIs), including extension of various elements of Basel III standards relevant to these institutions, will also be taken up. The banking sector has undergone significant transformation by digital innovations in the past few years and the Reserve Bank will work on framing an appropriate response to the regulatory challenges posed by developments in FinTech. Taking note of changes in the global and financial sector environment, the Reserve Bank formalized a framework for taking enforcement action against banks for non-compliance with guidelines and instructions issued by it. Accordingly, a separate Enforcement Department has been created within the Reserve Bank in April 2017.

An effective monetary transmission is the key to successful implementation of monetary policy. In this context, the following studies will be conducted. First, post-demonetization, there have been large swings in liquidity. A study will be conducted to assess the impact of liquidity swings on the transmission of monetary policy impulses. Second, the poor health of the banking sector has been a matter of concern. This appears to have impacted monetary transmission as banks have either not responded adequately to cuts in the policy rate or did not cut their lending rates. A detailed study will be conducted to assess whether banks' poor health has impeded monetary transmission. Third, the Basel III liquidity coverage ratio (LCR) was introduced in a phased manner beginning January 2015. In order to ensure the smooth implementation, the Reserve Bank has allowed a carve out of 11.0 per cent of statutory liquidity ratio (SLR). The Reserve Bank has also reduced SLR to provide flexibility to banks to meet the LCR norms by January 2019 when banks have to reach the minimum LCR of 100 per cent. The initial experience suggests that the introduction of LCR has altered banks' activity in the call money market in the post-LCR regime. A study will be undertaken to assess as to whether the introduction of the LCR has impacted monetary transmission.

9. DIVERSIFICATION OF LENDING BASE

Towards aligning the exposure norms for Indian banks with the Basel Committee of Banking Supervision (BCBS) standards and to further diversify the banks' lending base, on December 1, 2016, the Reserve Bank issued final guidelines on large exposures framework (LEF), effective April 1, 2019. The exposure limits will consider a bank's exposure to all its counterparties and groups of connected counterparties.

10. CONCLUSION

Implementation of Ind AS and the Basel III reforms the revised framework for securitization, the minimum capital for market risk and the guidelines on corporate governance as per Basel standards has being issued. The Reserve Bank focus on improving the institutional framework for a sound banking system in the country, particularly addressing asset quality issue and the Basel III norms prescribe two minimum standards for banks – the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) – for promoting short-term resilience of banks to potential liquidity disruptions and resilience over a longer-term time horizon, respectively. The revised regulatory framework for the AIFIs, including extension of various elements of Basel III standards relevant to these institutions, will be issued after due consultations with stakeholders. As a result, banks now have a larger capital base and more liquid assets than before thereby building resilience without impeding credit supply. All major internationally active banks have met risk based capital and leverage ratio requirements well in advance of the deadline and global liquidity standards are catalyzing the change in bank funding models.

REFERENCES

1. Jain.M (2012), ―A Critical review of BASEL-III norms for Indian PSU Banks, DRIEMS Business Review - Vol. -1 No. – 1
2. Blundell-Wignall. Adrian and Atkinson. Paul(2010),"Thinking beyond BASEL III: necessary solutions for Capital and Liquidity ,OECD Journal: Financial Market Trends Volume 2010 – Issue 1
3. India: Financial Sector Assessment Program—Detailed Assessments Report on Basel Core Principles for Effective Banking Supervision, IMF Country Report No. 13/267,2013

4. Agarwal . S. K, "Implementation of Basel III Capital Regulation in India", The Chartered Accountant,September,2012
5. Redhead Keith (2008): Personal Finance & Investments-A Behavioral Finance Perspective, Routledge
6. Basel norms implementation with respect to Indian Banks A critical review. Dr. Saugate Chadrabach, Dr.Debdal Rakshit. Galaxy International Interdisciplinary Research Journal ISSN 2347-6915 GIIRJ, Vol 2(3) March 2014.

Annual reports

1. Annual reports of RBI 2016-17
2. Reports on trends and progress of Banking in India 2016-17.

Newspapers

1. Deccan Chronicle 11 Oct. 2017

National Seminar (MIBS - 2018)
MODERN INITIATIVES IN BANKING SECTOR – STRATEGIC PERSPECTIVES
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

WORK-LIFE BALANCE OF EMPOLOYEES IN BANKING SECTOR - A STUDY

SABAH BEGUM
Research Scholar,
Dept. of Commerce &Business Management
Kakatiya University (T.S)

Dr. P. AMARAVENI
Asst. Professor
Dept. of Commerce &Business Management
Kakatiya University (T.S)

Abstract: *In the new millennium, modern organizations are benefited from a global, diverse, technologically Savvy and highly productive workforce but it is ironic that these workforces also find it difficult to have a good balance between their work life and family life. Employees in the banking sector face WLB (work-life balance) issues irrespective of the organization type, Job profile as well as designation. In most of the literature it has also been found that Work Life Balance is affected by demographic variables like age, gender, marital status, etc. Women and men prefer working in organizations that maintain work-life balance. Work-family balance has conservatively focused on the conflicts and tension that satisfying multiple roles brings about. . WLB of private and public bank employees is dependent on their individual demographic factors particularly their age, Gender and Marital Status Particularly. A good Work - Life Balance is when employees having the ability to fulfill both work and other commitments The Present study tries to examine the relationship between the Work Life Balance and certain demographic variables (like age, gender, marital status) of employees in banking sector.*

Keywords*: Work-Life balance, Banking sector, Employees, Demographic, Conflict.*

1. INTRODUCTION:

Work life and individual life are the two sides of a similar coin. Contending and multi-faced hassle between work and home responsibilities have gained increased importance for employees in current years, owing in large part to demographic and workplace changes, such as a greater numbers of women in the workforce, change in family structures, a rise in the number of single parents, dual career couples, a growing disinclination to accept the longer hours culture, the rise of the 24 per 7 society, and technological advancements. In reaction to these changes and the clash they generate among the multiple roles that individuals occupy, organizations are increasingly pressured to design various kinds of practices, intended to facilitate employees' efforts to fulfill both their employment related and their personal commitments. Banking is a profitable sector of the Indian economy and also contributes to India's GDP.65-70 percent of employment in India is in BFSI (Banking and Financial services Industry) which includes banking, financial services, insurance etc. Employees in the banks take painful effort to deliver the various needs of its customers. Work deadlines are getting compact and the individual's jobs are loaded and added with quality output. Due to work in pressure, it becomes hard to maintain balance between professional and family life. A harmony amongst work and life is supposed to exist when there is an appropriate working at work furthermore, at home with at least part struggle. Consequently, the inconsistency between the requests from the work and non work area offer ascent to strife and thus, individuals encounter an absence of WLB. There is affirmation of the way that individuals entering the workforce today are laying accentuation on the significance of WLB more than their antecedents. Actually, the specialists infer that graduates are being drawn into circumstances where they need to work for logically longer hours thus encounter an undeniably unsuitable harmony between home life and work life**.** As the economy shifts more towards service sector, Work life balance assumes greater importance and urge for major transformation in attitudes and system, so that individual and collective accomplishment is meaningful and enjoyable for all. The way of how work-life balance can be achieved and improved is an important issue in the field of human resource management and has received considerable attention from employers, workers, government, academic researchers, and the popular media.

2. LITERATURE REVIEW:

Sangeeta Bhatnagar and P K jain (2014) studied work life balance of IT professionals in Delhi/NCR. This study is aimed at examining the impact of demographic variables (age, education, marital status, gender) on the work life balance of software professionals in metro cities and found that there is significant indifference between gender, marital status and losing of temper but there is significant difference between age and losing of temper of IT professionals. There is significant indifference between age, marital status and work load but there is significant difference between gender and work load [1]. Further **Thriveni and Rama devi (2012**) found that there is a significant relationship between demographic variables - age, experience, income, type of family, number of dependents and perception of work- life balance of women employees [2]. A study by **Jailaxmi (2017**) revealed that there is a significant relationship between age and work-life balance as well as marital status and work-life balance. It was also seen in their study that younger age group employees were having better work-life than older age group employees [3]. A research conducted by **LubnaRizvi (2013),** shows that intervention of personal over professional life and vice versa has a negative impact over performance of the banking employees. In this study it was observed that the work-life conflict have resulted to poor employee input and performance at his or her job place, because an employee who finds it difficult to properly balance his or her family life, tends to also have difficulties managing tasks at the workplace, therefore resulting in poor employee performance [4]. A study by **M.K.D. Padmasiri (2016**) found that gender is a significant factor affecting work-life balance and male and female group have difference in work-life balance, where female identified as he best group in WLB. The findings also disclosed that single group as the best in managing WLB than married ones [5]. **Karishmaetal (2015)** in her study opined that WLB is inevitable and moreover it is a challenge to every individual to manage job and personal life. Further suggests that there should be a fair leave policy for men and women, company should be flexible with respect to its employee's family responsibilities and should offer in house doctor facility as well as should organize holiday camps and picnics for all employees to manage their personal and professional life [6].**Panisoara and Serban(2013**) in their study examined the impact of marital status on work-life balance in order to facilitate the organizations to envisage and employ appropriate motivational policies. They found that no significant level of work- balance existed in the four categories of employees namely unmarried, married without kids, married with children under 18, married with children over 18 [7].

3. OBJECTIVES:

- To study work-life balance of employees in banking sector.
- To know the relationship between work-life balance and age of employees in banking sector.
- To examine the relationship between work-life balance and gender of employees in banking sector.
- To study the relationship between work-life balance and marital status and of employees in banking sector.
- To draw conclusions based on the study.

4. NULL HYPOTHESES:

H01: There is no significant relationship between WLB and age of employees in banking sector.
H02: There is no significant relationship between WLB and gender of employees in banking sector.
H03: There is no significant relationship between WLB and marital status of employees in banking sector.

5. RESEARCH METHODOLOGY:

Employees working in Public and private sector banks in Karimnagar constitute population for the study. The sample frame includes employees working in Public and private sector banks. The sample
Size is 100 and is drawn using simple random sampling method. Both primary and secondary data have been used for the purpose of the study. Primary data have been collected through structured questionnaire. Secondary data have been collected from different Journals, books, articles, Journals research studies and websites. Data is analyzed using Chi square test using SPSS. Cronbach's Alpha test is used to test the reliability of the scale. The result of Cranach's Alpha is 0.718.

6. SCOPE OF THE STUDY:

The scope of the present study is limited to the study of relationship between WLB of banking employees and their certain demographic factors like age, gender and marital status particularly.

7. NEED AND IMPORTANCE OF THE STUDY:

Changing employment patterns together with changes in the demographic structure of the workforce have resulted in a diverse reality for the 21st century. Instead of trying to handle plentiful amounts of leisure time, many employees are instead trying to cope with various responsibilities with the increased, intensified demands of work. Till the early years of 21st century, there were fixed working hours like 9-5 or 10-5, with a five or six day week even for private sector employees. Now days the banking employees spend 12- 16 hours at work, which get in their way and obstruct them to meet their personal obligations, leave alone pursuit of hobbies and leisure activities. This hinders personal and spiritual growth of an individual and creates work-life imbalance. Globalization, entry of private and foreign banks into the banking sector has increased the competition of grabbing the highest number of customers with the best services has left banking employees stressed and dissatisfied. Moreover the banking rule of completion of a particular day work on that same day even after working hours has created a work-life imbalance for the employees. Though technology has increased the efficiency of work, at the same time it has paved the way for intervention of work into personal lives. Due to advanced communication system employees have to receive office phone calls, e-mails even after office hours and during holiday which clearly indicate the increase in work-life imbalance.

8. WORK – LIFE BALANCE (WLB):

Work-life balance(WLB) can be seen as the extent to which an individual is equally engaged in-and equally satisfied with his or her work role and family role (Greenhaus, Collins, & Shaw, 2003) [8].WLB is like a point on the see-saw, one side of which is work, while the other side is domestic and personal life. Since the balance is related to both the professional and personal life factors like family structure, age, gender, marital status on the one side and the organization type, designation, salary, working environment on the other would affect the work-life balance of any employee. Accomplishing "work-life adjust" isn't as straightforward as it sounds. Work life and individual life are associated and reliant. Investing more energy in office, managing customers and the weights of occupation can meddle and influence the individual life, now and again making it difficult to try and finish the family tasks. Then again, individual life can likewise be requesting on the off chance that you have a child or maturing guardians, money related issues or even issues in the life of a dear relative. It can prompt non-appearance from work, making pressure and absence of fixation at work. In the words of Morgenstern (2008), Work-life balance is not about the amount of time one spends working versus not working. It's more about how one spends time working and relaxing, recognizing that what a person does in one, fuels energy for the other [9].The term “balance” suggests that work and life are contrary forces that have nothing in common. It has been abundantly researched and commonly proved that both worlds are strongly interdependent and related to each other. The balance between work and life is attainable through the funding and synchronization of multiple activities which included the organization’s interest Work-life integration is a result of the complex relationship between the dynamics of employment and personal factors. (Grady and McCarthy 2008) [10].

Though the term work-life balance is extensively used, there is no commonly accepted definition. Most often the term is linked to a conflict between the needs arising from paid work and family responsibilities and a satisfaction with their integration. Other terms that are used interchangeably, although with somewhat different connotations, are work-family interface, work-family integration and work-family spill over. Some authors argue that the term ‘balance’ is outdated and a new approach should be used – work personal life integration (Rappoport*et al*., 2001; Lewis and Cooper, 2005) which goes beyond the dichotomy between home and work life and underlines the role of organizations and supervisors in providing a family-friendly environment [11]. Others prefer to use work-wider life or work-personal life balance as to represent the wider range of roles that people play outside the sphere of paid work. Related concepts holding a negative evaluation that are studied in empirical research are work-family conflict, work-family stress, combination pressure and on the positive side, work-family enrichment and wellbeing. Research on work-family balance has conventionally focused on the conflicts and strain that satisfying multiple roles brings about. Role conflicts arise when trying to meet competing, incompatible demands and role stress denotes the sense of nervousness experienced in such conflict situations. Studies (Greenhaus and Beutell, 1985; Carlson *et al*., 2000; Lyonette*et al*., 2007) have distinguished between three forms of work-family conflict: time-based, strain-based and behavior-based and two directions: due to work interfering with family and due to family interfering with work. Work-family interference has a number of negative outcomes such as stress, lack of commitment and reduced quality of life [12].Gender has a significant effect on WLB. Both women and men desire working in organizations that maintain work-life balance. Men appeared to benefit more than women (Burke 2002) [13].Men feel happier when they accomplish more on the job even at the cost of ignoring the family. On the other hand, women stress that work and family are both similarly central and both are the sources of their satisfaction. For them the former is more important. When work does not allow women to take care of their family, they feel unhappy, disappointed and frustrated. They draw tight boundaries between work and family and they do not like one crossing the other (Burke 2002) [14]. Valcour and Hunter (2005) premise that new trends like teleworking attempt to tackle work-family issues. In India too there is a rising trend towards tele-working (Morgan 2003).Juggling between the obligations towards the families and expectations of the organisation can have serious implications on the life of an individual. Importance of healthy and happy employees is correlated with better turnover and good decisions thus contributing to organisational goals. An assured good work life balance will not only attract young and talent persons and also used to retain the existing experienced talent.

9. ANALYSIS:

9.1 WLB and AGE

Table - 1

H01: There is no significant relationship between WLB and Age

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	123.340[a]	81	.002
Likelihood Ratio	112.238	81	.012
Linear-by-Linear Association	.818	1	.366
N of Valid Cases	100		

(Source: Calculated Values from Primary data using SPSS)

The above table-2 depicts that chi-square (81) = 123.340, p = 0.002 (<0.05), there is statistically significant relationship between the variables, hence null Hypothesis(H01) can be rejected and research hypothesis can be accepted. It is clear from the statistics that there is a relation between work – life balance and age of employees in banking sector

9.2 WLB and GENDER

Table - 2
H01: There is no significant relationship between WLB and Gender

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	48.840[a]	27	.006
Likelihood Ratio	53.005	27	.002
Linear-by-Linear Association	.082	1	.775
N of Valid Cases	100		

(Source: Calculated Values from Primary data using SPSS)

From the above table it is evident that chi-square (27) = 48.840, p = 0.006 (<0.05), there is statistically significant relationship between the variables, hence null Hypothesis (H02) can be rejected and research hypothesis can be accepted that there is a relation between gender and work life balance of employees in banking sector.

9.3 WLB and MARITAL STATUS

Table - 3
H01: There is no significant relationship between WLB and Marital Status

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	43.986[a]	27	.021
Likelihood Ratio	50.284	27	.004
Linear-by-Linear Association	.177	1	.674
N of Valid Cases	100		

(Source: Calculated Values from Primary data using SPSS)

From the above table it is clear that chi-square (27) = 43.986, p = 0.021 (<0.05), there is statistically significant relationship between the variables, hence null Hypothesis (H03) can be rejected and research hypothesis can be accepted. It is clear from the analysis that there is a relation between work – life balance and marital status of employees in banking sector.

10. CONCLUSION:

From the data analysis it is concluded that in banking sector that there is a relation between employee demographic factors and their work – life balance. WLB of private and public bank employees is dependent on their individual demographic factors particularly their age, Gender and Marital Status Particularly. This study witnesses the old notion of ''WLB as a shared responsibility of employee and employer". It is the each individual age, gender and their marital status decides on their work-life balance or work-life imbalance. Many studies reveal that women, married women and old age employees have more work-life balance issues than others. Today women are having supportive attitude from their parents, husbands and other members of the family who encourage them to join banking sector and help in managing their work and as well as family life. A good Work - Life Balance is when employees having the ability to fulfill aboth work and other commitments. The view till now is that special set of skills are essential for the management of both worlds namely, Work and Family. This can be changed. Ultimately, the employee is longing to give his best to both the worlds which need common skills of goal clarity, time management, prioritization, emotional connect and communication to manage both worlds. A mix of the two worlds of 'Work' and 'Life' can give a new charter of life to the term 'Balance'. Instead of struggling to bring in 'Balance' if one brings in 'Synchrony', then it takes on a absolute new meaning of '**Work Life Synchronization**'. With this viewpoint the conflict and the struggle, to maintain a line between the two worlds, diminish. A mindset change of viewing 'work life balance' as '**work life synchronization**' may helps merge work and life leading to remarkable results that encourage innovative, efficient and socially conscious individuals.

REFERENCES:

1. B. Sangeeta and J.P. Kumar, (2014), Management of Work Life Balance with Special Reference to its Professionals in Metro Cities ,International Journal of Science and Research (IJSR) ,3(2), 2014, 243-248.
2. Thriveni and Rama Devi (2012). Impact of demographic variables on work-life balance of women employees (with ^ special reference to Bangalore city). International Joumal of Advances in Management and Economics, 1(6): 226-229.
3. Jailaxmi, DrAditya Gautam,(2017) Work Life Balance of Bank Employees as Related to Age, Gender and Marital Status, International Journal of Management & Business Studies. IJMBS Vol. 7, Issue 1, Jan - March 2017 ISSN : 2230-9519 (Online) | ISSN : 2231-2463 (Print) www.ijmbs .com
4. LubnaRiz V (2013), "An Empirical Study on the Effectiveness of Work-Life Balance in Banking Industry" Understanding the management of work-life balance and analysis of techniques followed for specific purpose achievements. Life Science Journal 2013; 10 (4) http://www.lifesciencesite.com
5. http://www.lifesciencesite.com/lsj/life1004/410_22237life1004_Article in Life Science Journal · December 2013 https://www.researchgate.net/publication/260096646
6. M.K.D. Padmasiri, W.G.S. Mahalekamge (2013), Impact of Demographical Factors on Work Life Balance among Academic Staff of University of Kelaniya, Sri Lanka .Journal of Education and Vocational Research (ISSN 2221-2590) Vol. 7, No. 1, pp. 54-59, March 2016 .
7. https://www.researchgate.net/publication/301958504
8. Karishma Bhandari, Professor Harvinder Soni (2015), Impact of Gender, Age and Work Experience on Satisfaction towards Work Life Balance (with special reference to Bank of Baroda, Udaipur) ,IOSR Journal of Business and Management (IOSR-JBM) e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 17, Issue 3.Ver. II (Mar. 2015), PP 48-53 www.iosrjournals.org DOI: 10.9790/487X-17324853 www.iosrjournals.org 48 | Page
9. Panisoara, G., and Serban, M. (2013). Marital Status and Work-life Balance. Procedia-Social and Behavioral Sciences, 78, pp 21-25.
10. Greenhaus, J. H., Collins, K. M., & Shaw, J. D. (2003). The relation between work-family balance and quality of life. *Journal of Vocational Behavior , 63*(February), 510-531.<http://dx.doi.org/10.1016/S0001-8791(02)00042-8>
11. Morgenstern Julie (2008). A Dictionary of Human Resource Management. New York: Oxford University Press Inc.
12. Grady, G., and McCarthy, A. M. (2008). Work-life integration: experiences of midcareer professional working mothers. Journal of Managerial Psychology, 23(5), pp 599-622
13. Rapoport, R., Bailyn, L., Fletcher, J., Pruitt, B., (2011) *Beyond Work-family Balance. Advancing Gender Equity and Workplace Performance*, London, Wiley, 2001. AndLyonette, C., Crompton, R., Wall, K.,(2007) *Gender, occupational class and work-life conflict: A comparison between Britain and Portugal*, "Community, Work and Family", Vol. 10, N. 3,pp. 283–308, 2007
14. Greenhaus, J., Beutell, N.,(1985)*Sources of conflict between work and family roles*, "Academy of Management Review", Vol. 10, pp. 76–88, 1985. And Carlson, D., Kacmar, K., Williams, L.,(2000) *Construction and Initial Validisation of a Multidimensional Measure of Work-family Conflict*, "Journal of Vocational Behavior", Vol. 56,pp. 249–276, 2000.
15. Burke, R.J. (2002). Organizational values, job experiences and satisfaction among managerial and professional women and men: advantage men?. Women in management review, 17(5), 5-6.
16. Burke, R.J. (2002). Organizational values, job experiences and satisfaction among managerial and professional women and men: advantage men?. Women in management review, 17(5), 5-6.
17. Siyka Kovacheva Stanimir Kabaivanov (2008) Work-Life Balance Of Employees In Bulgarian Service Sector Companies University Of Plovdiv, Bulgaria, 4000 Plovdiv, 24,CalitateaVieţii, Xix, Nr. 1–2, 2008, P. 3–31.

National Seminar (MIBS - 2018)
MODERN INITIATIVES IN BANKING SECTOR – STRATEGIC IMPLICATIONS
20th & 21st April, 2018 at University College of Commerce & Management, Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

NON PERFORMING ASSETS IN BANK OF BARODA – A STUDY

Dr. K. BHAGYALAKSHMI
Lecturer
Department of Commerce and Business Management,
Kakatiya University, Warangal, Telangana, India.

Abstract: *The Non- Performing Asset (NPA) concept is restricted to loans, advances and investments. As long as an asset generates the income expected from it and does not disclose any unusual risk other than normal commercial risk, it is treated as performing asset, and when it fails to generate the expected income it becomes a "Non-Performing Asset". Bank of Baroda (BoB) is an Indian state-owned International banking and financial services company headquartered in Vadodara (earlier known as Baroda) in Gujarat, India. The present paper aims at anlysing the trends of NPAs in Bank of Baroda and the relationship between the NPAs and Net profit of Bank of Baroda during the study period of six years i.e. from 2011-12 to 2016-17 with the help of statistical tools like ratios, percentages and Correlation Coefficient (R). The paper concludes that though, the bank has developed a comprehensive organizational structure for recovery and credit monitoring across different levels and taken a number of measures to strengthen systems and processes to manage stressed assets, the magnitude of problem of NPAs has been increased significantly in recent past on account of multiple reasons like weak macro-economic conditions, stalled projects, over-leveraged balance sheets of corporate, lower utilization of capacity and stressed cash flows etc. The relationship is found to be negative between Gross NPAs and Net Profit of Bank of Baroda during the study period.*

Keywords*: NPA, Gross NPA, Net NPA, Standard Asset, Net Profit*

1. INTRODUCTION

The banks, in their books, have different kind of assets, such as cash in hand, balances with other banks, investment, loans and advances, fixed assets and other assets. The Non- Performing Asset (NPA) concept is restricted to loans, advances and investments. As long as an asset generates the income expected from it and does not disclose any unusual risk other than normal commercial risk, it is treated as performing asset, and when it fails to generate the expected income it becomes a "Non-Performing Asset".

In other words, a loan asset becomes a Non Performing Asset (NPA) when it ceases to generate income, i.e. interest, fees, commission or any other dues for the bank for more than 90 days. A NPA is an advance where payment of interest or repayment of installment on principal or both remains unpaid for a period of two quarters or more and if they have become 'past due'. An amount under any of the credit facilities is to be treated as past due when it remain unpaid for 30 days beyond due date.

2. REASONS FOR THE RISE IN NPA IN RECENT YEARS

The following are the important reasons for the rise in NPA

- The ban in mining projects, and delay in environmental related permits affecting power, iron and steel sector, volatility in prices of raw material and the shortage in availability of. This has affected their ability to pay back loans and is the most important reason behind increase in NPA of public sector banks.
- The relaxed lending norms especially for corporate when their financial status and credit rating is not analyzed properly. Also, to face competition banks are hugely selling unsecured loans which attributes to the level of NPAs.
- 5 sectors Textile, aviation, mining, Infrastructure contributes to most of the NPA, since most of the loan given in these sector are by PSB (Public Sector banks), they account for most of the NPA.
- PSB provides around 80% of the credit to industries and it is this part of the credit distribution that forms a great chunk of NPA.
- The Lack of Bankruptcy code in India and sluggish legal system make it difficult for banks to recover these loans from both corporate and non-corporate.

3. OTHER FACTORS

- Banks did not conduct adequate contingency planning, especially for mitigating project risk. They did not factor eventualities like failure of gas projects to ensure supply of gas or failure of land acquisition process for highways.
- Restructuring of loan facility was extended to companies that were facing larger problems of over-leverage& inadequate profitability. This problem was more in the Public sector banks.
- Companies with dwindling debt repayment capacity were raising more & more debt from the system.

4. IMPACT OF NPAS

- The higher is the amount of non-performing assets (NPA) the weaker will be the bank's revenue stream.
- Indian Banking sector has been facing the NPA issue due to the mismanagement in the loan distribution carried by the Public sector banks.
- As the NPAs of the banks will rise, it will bring a scarcity of funds in the Indian markets. Few banks will be willing to lend if they are not sure of the recovery of their money.
- The shareholders of the banks will lose of money as banks themselves will find it tough to survive in the market. This will lead to a crisis situation in the market.
- The price of loans, interest rates will shoot up badly. Shooting of interest rates will directly impact the investors who wish to take loans for setting up infrastructural, industrial projects etc.
- It will also impact the retail consumers, who will have to shell out a higher interest rate for a loan.
- All these factors hurt the overall demand in the Indian economy. Finally, it will lead to lower growth and higher inflation because of the higher cost of capital.

5. REVIEW OF LITERATURE

Many studies have been conducted on NPAs of banks in India. Some of the important are as follows.

1. **Kumar** (2013), in his study on A Comparative study of NPA of Old Private Sector Banks and Foreign Banks has said that Non-performing Assets (NPAs) have become a nuisance and headache for the Indian banking sector for the past several years. One of the major issues challenging the performance of commercial banks in the late 90s adversely affecting was the accumulation of huge non-performing assets (NPAs).

- **Singh** (2013), in his paper entitled Recovery of NPAs in Indian commercial banks says that the origin of the problem of burgeoning NPA's lies in the system of credit risk management by the banks. Banks are required to have adequate preventive measures in fixing pre- sanctioning appraisal responsibility and an effective post-disbursement supervision. Banks should continuously monitor loans to identify accounts that have potential to become non- performing.
- **Gupta** (2012), in her study A Comparative Study of Non-Performing Assets of SBI & Associates and Other Public Sector Banks had concluded that each bank should have its own independence credit rating agency which should evaluate the financial capacity of the borrower before credit facility and credit rating agencies should regularly evaluate the financial condition of the clients.
- **Karunakar** (2008), in his study Are non - Performing Assets Gloomy or Greedy from Indian Perspective, has highlighted problem of losses and lower profitability of Non- Performing Assets (NPA) and liability mismatch in Banks and financial sector depend on how various risks are managed in their business. The lasting solution to the problem of NPAs can be achieved only with proper credit assessment and risk management mechanism.
- **Bhatia** (2007), in his research paper explores that NPAs are considered as an important parameter to judge the performance and financial health of banks. The level of NPAs is one of the drivers of financial stability and growth of the banking sector.
- **Balasubramaniam C.S.** (2001) highlighted the level of NPAs is high with all banks currently and the banks would be expected to bring down their NPA. This can be achieved by good credit appraisal procedures, effective internal control systems along with their efforts to improve asset quality in their balance sheets.
  Therefore it is needed to understand the NPAs management and its impact on banks in India.

6. OBJECTIVES OF THE STUDY

The following are the objectives of the present study.

- To present the conceptual framework of NPAs including the classification of NPAs in banks in India.
- To examine the trend of Gross NPAs and Net NPAs of Bank of Baroda with a special emphasis on categories of NPA during the study period.
- To analyse the relationship between the Gross NPAs and Net Profit of Bank of Baroda during the study period.

7. SOURCES OF DATA AND METHODOLOGY

The present study is based on the secondary data. The required data have been collected from various sources i.e. reports and publications, published manuals of banks, RBI, Government and annual reports Bank of Baroda, journals, text books and other related sources of published information and websites of Bank of Baroda. The data have been collected and analysed for the period of 6 years i.e. from 2011-12 to 2016-17 with help of statistical tools like ratios, percentages and Correlation Coefficient (R).

8. NPAS MANAGEMENT IN BANK OF BARODA

Bank of Baroda (BoB) is an Indian state-owned International banking and financial services company headquartered in Vadodara (earlier known as Baroda) in Gujarat, India. It has a corporate office in Mumbai. Based on 2017 data, it is ranked 1145 on Forbes Global 2000 list. BoB has total assets in excess of Rs. 3.58 trillion (making it India's 2nd biggest bank by assets), a network of 5538 branches in India and abroad, and 10441 ATMs as of July, 2017.

Financial year, 2016-17 had been a challenging year for the Bank also in terms of stress in asset quality. Bank of Baroda has developed a comprehensive organizational structure for recovery and credit monitoring across different levels and taken a number of measures to strengthen systems and processes to manage stressed assets which include

a) Set up of legal war-room for real-time tracking of recovery proceedings and to aid accelerated decision making (140 high value suit-filed accounts being monitored).
b) Strengthening Bank's legal/ fraud investigation capabilities and ability to handle recovery cases enhanced through on boarding of external experts.
c) 39 accounts identified for action under Indian Bankruptcy Code (IBC), of which, 13 cases have been filed in NCLT and tracked through war-room.
d) 'Solution provider' cell setup to provide resolution strategies for stressed accounts, with currently 65 large NPA accounts with exposure above Rs.100 Crore under process of being resolved.
e) Collections call center setup (200 agents) for retail loans with multi-lingual support and augmented with feet-on-street staff to drive on-ground collections.
f) 900-member strong Bank taskforce deployed for NPA and potential NPA recovery in small accounts.
g) Business Correspondents incentivised for crop loan collections.

9. ANALYSIS OF THE DATA

9.1 NON PERFORMING ASSETS (NPAs)

Non Performing Asset (NPA) is a loan or an advance where:

I. Interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan,
II. The account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC),
III. The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
IV. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
V. The installment of principal or interest thereon remains overdue for one crop season for long duration crops.

An OD/CC account is treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for more than 90 days. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as 'out of order'. Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

9.1.1GROSS NPAs RATIO

Gross NPAs are the sum total of all loan assets that are classified as NPAs as per RBI guidelines as on Balance Sheet date. Gross NPA reflects the quality of the loans made by banks. It consists of all the non standard assets like sub-standard, doubtful and loss assets. Higher ratio reflects rising bad quality of loans.

Gross NPAs Ratio=Gross NPAs/Gross Advances

Table-1

Gross NPA and Gross NPA Ratio

Year	**Gross NPA** (Rs. In Cr.)	**Gross NPA Ratio**

2011-12	4,465	1.36
2012-13	7,983	1.53
2013-14	11,876	2.94
2014-15	16,261	3.72
2015-16	40,521	9.99
2016-17	42,719	10.46

(Source: Annual Reports)

The table 1 depicts the amount of Gross NPA and the percentage of Gross NPA of Bank of Baroda during the period of 6 years i.e. from 2011-12 to 2016-17. The amount of gross NPA has been showing an increasing trend during the study period, as it is increased from Rs. 4,465 Crores in 2011-12 to Rs. 42,719 Crores in 2016-17. This reflects the rising bad quality of loans. Similarly, gross NPA percentage is also showing the rising trend from 1.36 percent in 2011-12 to 10.46 percent in 2016-17. The highest gross NPA and NPA ratio are found with Rs. 42,719 Crores and 10.46 percent respectively in 2016-17, while they are least with Rs. 4,465 Crores (Gross NPA) and 1.36 percent (Gross NPA ratio) in 2011-12. Non-payment of loans by small borrowers, who take loans of up to Rs. 50,000 and are not able to repay them on non viability of projects and business or crop failures has led to an increase in the volume of non-performing assets .

9.1.2 NET NPA RATIO

Net NPAS are those type of NPAs in which the bank has deducted the provision regarding NPAs. Net NPA shows the actual burden of banks. Since in India, bank Balance Sheets contain a huge amount of NPAs and the process of recovery and write off of loans is very time consuming, the bank have to make the provision against the NPAs according to the central bank guidelines, are quite significant. That is why the difference between gross and net NPA is quite high.

Net NPAs=Gross NPAs-Provisions/Gross Advances-Provisions

Table-2
Net NPA and Net NPA Ratio

Year	**Net NPA** (Rs. In Cr.)	Net NPA Ratio
2011-12	791	0.35
2012-13	1,544	0.54
2013-14	6,035	1.52
2014-15	8,069	1.89
2015-16	19,407	5.06
2016-17	18,080	4.72

(Source: Annual Reports)

The table 2 shows the amount of Net NPA and the percentage of Net NPA NPA of Bank of Baroda during the period from 2011-12 to 2016-17. The amount of Net NPA and Net NPA ratio has been showing the increasing trend during the period. This reflects the increasing burden of the banks. The amount of Net NPA has been increased from Rs. 791 Crores in 2011-12 to Rs. 18,080 Crores in 2016-17. The percentage of Net NPA is also increased from 0.35 percent in 2011-12 to 4.72 percent in 2016-17. The highest Net NPA and Net NPA ratios are registered as Rs.19, 407 Cr. and 5.06 percent respectively during 2015-16 and they are declined to Rs.18, 080 Cr. (Net NPA) and 4.72 percent (Net NPA ratio) in the current year.

10. ASSET CATEGORY (GROSS)

Loans and advances extended by banks comprise their asset base. However, depending on the performance of such loans they are classified as performing on non-performing assets (NPA) according to the norms provided by Reserve Bank of India. The classification is aimed to bring about transparency and consistency of a higher degree in the published accounts. Standard asset for a bank ia an asset that is not classified as an NPA. Standard assets are the ones in which the bank is receiving interest as well as the principal amount of the loan regularly from the customer. Here it is also very important that in this case the arrears of interest and the principal amount of loan do not exceed 90 days at the end of financial year. The asset exhibits no problem in the normal course other than the usual business risk. If asset fails to be in category of standard asset that is amount due more than90 days then it is NPA.

Table-3
Standard Assets and Gross NPAs

Year	Asset Category (Gross)		
	Standard	Gross NPA	Total
2011-12	2,86,543	4,465	2,91,007
2012-13	3,24,829	7,983	3,32,811
2013-14	3,91,824	11,876	4,03,699
2014-15	4,21,019	16,261	4,37,280
2015-16	3,64,996	40,521	4,05,517
2016-17	3,65,792	42,719	4,08,511

(Source: Annual Reports)

Table 3 depicts the classification of standard assets and NPAs during the study period. The data shows that the amount of standard assets has shown an increase from Rs. 2,86,543 Cr. in 2011-12 to Rs. 4,21,019 Cr. in 2014-15 and declined to Rs. 3,65,792 Cr. in 2016-17. It indicates that the bank is not receiving interest as well as the principal amount of the loan regularly from the customer during the last two years.

10.1 CATEGORIES OF NPA

Non Performing Assets of the Bank are further classified in to three categories as under:

A. **Sub standard Assets:** A sub standard asset is one which has remained NPA for a period less than or equal to 12 months.
B. **Doubtful Assets:** An asset would be classified as doubtful if it has remained in the sub standard category for 12 months.
C. **Loss Assets:** A loss asset is one where loss has been identified by the bank or by internal or external auditors or the RBI inspection. In loss assets realizable value of security available is less than 10% of balance outstanding/ dues.

The data relating to the categories of NPA i.e . Standard assets, Doubtful assets and Loss assets presented in table 4. The proportion of sub standard assets to NPA is shown the declining trend as it is declined from 59.62% in 2011-12 to 20.61% in 2016-17. This reflects that the current net worth of the borrowers or guarantor or the current market value of the security charged has been decreased i.e. not enough to ensure recovery of the dues to the banks in full an d possibility that the banks will sustain some loss, if deficiencies are not corrected.

Table-4
Categories of NPA

Year	Sub-standard Assets	Doubtful Assets	Loss Assets	GNPA Total
2011-12	59.62	29.54	10.84	100.00
2012-13	62.40	32.93	4.67	100.00
2013-14	32.07	57.79	10.14	100.00
2014-15	26.87	63.85	9.28	100.00
2015-16	28.55	63.59	7.86	100.00
2016-17	20.61	68.32	11.07	100.00

(Source: Annual Reports)

The trend of the proportion of doubtful assets has shown an increase as it is increased from 29.54% in 2011-12 to 68.32% in 2016-17 indicates that the weakness in the collection of loans and advances from the borrowers. The proportion of loss assets has shown a mixed trend during the study period, which is considered as uncollectible and of such little value that its continuance as a bankable asset is not warranted -although there may be some salvage or recovery value. The proportion of NPA is highest with 68.32% in doubtful assets, followed by sub standard assets with 20.61% and the least in loss assets with 11.07% in current year.

10.2 RELATIONSHIP BETWEEN GROSS NPAS AND NET PROFIT

NPA means booking of money in terms of bad asset, which occurred due to wrong choice of client. Becaouse of the money getting blocked, the profitability of bank decreases. NPA not only affect current profit but also future stream of profit, which may lead to loss of some long-term beneficial opportunity. Here the relationship between Gross aNPAs and Net Profit is tested through the Correlation Co-efficient (R).

Table-5
Relationship between Gross NPAs and Net Profit

Year	Gross NPA (Rs. in Cr.)	Net Profit (Rs. in Cr.)	R
2011-12	4,465	5,006.96	**-0.81**
2012-13	7,983	4,480.72	
2013-14	11,876	4,541.08	
2014-15	16,261	3,398.44	
2015-16	40,521	-5,395.54	
2016-17	42,719	1,383.14	

(Source: Annual Reports)

The table 5shows that the relationship between Gross NPAs and Net Profit of Bank of Baroda during the study period. As per the data, the amount of gross NPA has been showing an increasing trend during the study period, as it is increased from Rs. 4,465 Crores in 2011-12 to Rs. 42,719 Crores in 2016-17. But in the case of Net profit, the amount has shown gradual decrease and even it is loss in the year 2015-16 over the study period. The highest amount of net profit and the lowest NPAs are registered as Rs. 5,006.96 Cr. and Rs. 4,465Cr. respectively in 2011-12. The least amount of net profit and the highest amount of NPAs are registered as Rs. 1,383.14 Cr. and Rs. 42,719 Cr. respectively during 2016-17. The relationship is found to be negative between Gross NPAs and Net Profit of Bank of Baroda during the study period as the R is -0.81. Hence it can be understood that the increase in the amount of NPAs is one of the important reasonf for the low profitability in the bank.

11. FINDINGS AND CONCLUSIONS

- The amount of gross NPA and NPA ratio has been showing an increasing trend during the study period reflects the rising bad quality of loans.
- The amount of Net NPA and Net NPA ratio has been showing an increasing trend during the period. This reflects the increasing burden of the banks.
- The amount of standard assets has shown decrease in the last two years of the study period.
- The proportion of sub standard assets to NPA is shown the declining trend as it is declined from 59.62% in 2011-12 to 20.61% in 2016-17.
- The trend of the proportion of doubtful assets has shown an increase as it is increased from 29.54% in 2011-12 to 68.32% in 2016-17 indicates that the weakness in the collection of loans and advances from the borrowers.
- The proportion of loss assets has shown a mixed trend during the study period, which is considered as uncollectible and of such little value that its continuance as a bankable asset is not warranted -although there may be some salvage or recovery value.
- In the case of Net profit, the amount has shown gradual decrease and even it is loss in the year 2015-16 over the study period. The relationship is found to be negative between Gross NPAs and Net Profit of Bank of Baroda during the study period as the R is -0.81. Hence it can be understood that the increase in the amount of NPAs is one of the important reasonf for the low profitability in the bank.
- However, the ban in mining projects, and delay in environmental related permits affecting power, iron and steel sector, volatility in prices of raw material and the shortage in availability etc. have affected their ability to pay back loans and is the most important reason behind increase in NPA of public sector banks.
- Though, Bank of Baroda has developed a comprehensive organizational structure for recovery and credit monitoring across different levels and taken a number of measures to strengthen systems and processes to manage stressed assets, the NPAs are continuously increasing.
- The magnitude of problem of stressed assets in banks particularly in public sector banks has increased significantly in recent past on account of multiple reasons like weak macro-economic conditions, stalled projects, over-leveraged balance sheets of corporate, lower utilization of capacity and stressed cash flows etc.

- During the last year, asset quality review by RBI identified certain assets which were classified as NPAs besides a comprehensive review of the loan book carried out by the Bank. On account of all these factors, Bank posted increased NPAs which lead to declined profitability

12. SUGGESTIONS

The following are some of the suggestions of the study

- The legacy of the NPAs must be resolved as quickly as possible so that the bank can focus on resuming lending.
- Some assets that are classified as Loss assets should be written off from banks books.
- In many cases, the projects can be turned around through a combination of fresh capital from investors and new management.
- The quality of lending must be improved in future so that the same problem does not arise again.

REFERENCES

1. Karunakar, M., “Are non - Performing Assets Gloomy or Greedy from Indian Perspective, Research Journal of Social Sciences, 3: 4-12, 2008.
2. Taori K.J., “Problems and Issues relating to Management of Non Performing Assets of Banks in India” – The Journal of Indian Institute of Bankers– April June 2000, Volume 2, p.no – 21-24.
3. Murthy C.R.K., “Branch Level Management of Non Performing Assets: Part III – Effective Management of Civil Litigation” – Vinimaya, Vol.XXI, No.2, 2000 – 2001 p.no: 5-11.
4. Kaveri V.S., Faculty, National Institute of Bank Management, Pune,” Prevention of NPAs– Suggested strategies” - IBA Bulletin, August 2001.
5. Rajendra Kakker. “NPA Management – Role of Asset Reconstruction Companies” – IBA Bulletin– Volume 4 – p.no: 11- 14, 2004
6. Bardia S.C., “Credit Efficiency in Banks: A Comparative Study”, The ICFAI University Press, August 2004, p.no – 60-67, 2004.
7. Satyanarayana, K. and Subramanian, G. “Anatomy of NPAs of Commercial Banks.” Applied Finance, Volume 6, No.3, July, 2000, pp 14-26.
8. Balasubramaniam, C.S., “Non-performing assets and profitability of commercial banks in India: assessment and emerging issues.” Abhinav Journal, Vol.1,Issue no.7, ISSN 2277-1166
9. Rajaraman Indira, Garima Vasishtha, “Non-performing Loans of PSU Banks- Some Panel Results”, Economic and Political Weekly, Vol.27, pp.429-435, 2002.
10. Bhatia, “Non-Performing Assets of Indian Public, Private and Foreign Sector Banks: An Empirical Assessment”, ICFAI Journal of Bank Management, Vol. 6, No. 3, pp. 7-28, 2007. Vallabh, G., Mishra, S. and Bhatia, A., “Non-Performing Assets of Indian Public, Private and Foreign Sector Banks: An Empirical Assessment”, Icfai Journal of Bank Management, Vol. 6, No. 3, pp. 7-28, August 2007.
11. Chaudhary, K. & Sharma, M., “Performance of Indian Public Sector Banks and Private Sector Banks: A Comparative Study”, International Journal of Innovation, Management and Technology, Vol. 2, No. 3, 2011.
12. Kaur , K. & Singh, B., “Non-performing assets of public and private sector banks A comparative study”, South Asian Journal of Marketing and Management Research, Vol. 1, Issue 3, 2011.
13. Gupta, B., “A Comparative Study of Non-Performing Assets of SBI & Associates & Other Public Sector Banks”, SIT Journal of Management, Vol. 2, No. 3, PP. 175-189, 2012.
14. Singh, J. (2013), “Recovery of NPAs in Indian commercial banks.” International Journal Of Transformation in Business, Vol. 2, Issue 3, 2013.
15. Kumar, P.T., “A Comparative study of NPA of Old Private Sector Banks and Foreign Banks”, Research Journal of Management Sciences, ISSN 2319–1171 Vol. 2(7), 38-40, 2013.
16. Annual Reports of Bank of Baroda from 2011-12 to2016-17.

WEB REFERNCES:

- www.bankofbaroda.co.in
- www.ratekhoj.com
- www.bobibanking.com
- www.economictimes.indiatimes.com
- www.moneycontrol.com
- www.businesstoday.in

INTERNATIONAL JOURNAL OF RESEARCH CULTURE SOCIETY ISSN: 2456-6683 Special Issue -13, April - 2018
UGC Approved Monthly, Peer-Reviewed, Refereed, Indexed Journal Impact Factor: 3.449 Publication Date: 22/04//2018

National Seminar (MIBS - 2018)
MODERN INITIATIVES IN BANKING SECTOR – STRATEGIC IMPLICATIONS
20th & 21st April, 2018 at University College of Commerce & Management,
Kakatiya University, Vidyaranyapuri, Warangal, Telangana State, India

JOB SATISFACTION OF BANKING SECTOR EMPLOYEES

Dr. M. SATYAVATHi,
Asst. Professor
Department of Commerce & Business Management. K.U.

Mrs. J. RAJINI
Research Scholar
Department of Commerce & Business Management. K.U..

Abstract: *This study analyzes the effects of employee satisfaction and job satisfaction is one of the important factors that have drawn attention of the organization. Job satisfaction will lead to better performance and the employees will be more committed towards their organization. Hence, this study is focused to consolidated the theoretical concept about job satisfaction.*

***Keywords**: Job Satisfaction, Performance, Variables, Dissatisfaction*

1. INTRODUCTION:

Major part of man's life spent in work which is a social reality and social expectation. only economic motive has never satisfied men. It is always of a greater interest to know why men work and at which level and how he/she satisfied with the job. Job satisfaction is dynamic, as it can go as quickly as it comes. It is a positive emotional state that occurs when a person's job seems to fulfill important values, provided these values are compatible with one's needs. Job satisfaction is a pleasurable or positive emotional state resulting from the appraisal of one's job experience. In short job satisfaction is a synchronization of what an organization requires of its employees and what the employees are seeking of the organization.

There are many variables that have been conjecture to be a result of job satisfaction or dissatisfaction. The concept of job satisfaction has emerged and now there are several factors contributing to it which are monetary and non-monetary job satisfaction of employees and bank performance/ success are significantly related to each other. Better understanding of job satisfaction and factors associated with it helps managers to guide employee’s activities in a desired direction. The morale of employees is a deciding factor in the bank efficiency. Thus, it is fruitful to say that managers, supervisors, human resource specialists, employee and citizens in general are concerned with ways of improving job satisfaction.

The study of job satisfaction among Bank employees is important because there are various aspects of the job that are highly attractive and lead to satisfaction and aspects of the job that lead to dissatisfaction. Positive aspects include the opportunity to work in Bank and employees to accomplish common goals, developing banking background and the ability to work with co-workers. It is important to identify which factors contribute to job satisfaction as well as those that may lead to job dissatisfaction to assure that the manager ship is attractive to potent. There are many variables that have been hypothesized to be a result of job satisfaction or dissatisfaction. These include both those variables of job performance and those of deem.The degree of satisfaction are determined bythe ratio between what we have and what we want. By law of nature as we have more,we want more, hence the level of satisfaction remains less.

2. LITERATURE REVIEW:

Maximum time of Man’s life spend at work place so a man satisfy his life if he/she satisfy from his job. Five components affect the job satisfaction; work, pay promotion, salary and recognition (Khalid Salman &Irshad Muhammad, 2011)

Alam (2013) conducted a research on the Job satisfaction of female workers in different garment factories in Dhaka city and concluded the level of satisfaction is positively correlated with level of wages they get. Zeal, Anwar and Nazrul (2012) in their study on comparative Job satisfaction of senior male and female executives in Bangladesh, showed that there are insignificant differences between male and female executives regarding satisfaction in different facets of job. The direction of all these studies on job satisfaction tends to be consistent to the self-reporting state of individual is very much related to the job itself and one’s experience.

3. OBJECTIVES :

- To analyze the satisfaction level of the employee working conditions, job security and other welfare measures.
- To identify the factors responsible for satisfaction or dissatisfaction of the bank employees.
- To identify and suggest some measures for improving the satisfaction level of the employees.

4. RESEARCH METHODOLOGY

The study is based on secondary sources of data/ information from different books, journals and relevant websites have been consulted in order to make the study an effective one. The study attempts to know the job satisfaction levels in banking sector.

5. ANALYSIS:

Job satisfaction refers to a person's feeling of satisfaction on the job, which acts as a motivation to work. It is not the self satisfaction, happiness or self contentment but the satisfaction on the job. The term relates to the total relationship between an individual and the employer for which he is paid. Satisfaction does mean the simple feeling-state accompanying the attainment of any goal; the end-state is feeling accompanying the attainment by an impulse of its objectives. Research Employees differently described the factors contributing to job satisfaction and job dissatisfaction. (Green & Heywood 2008).

Hoppock describes job satisfaction as, "Any combination of psychological, physiological and environmental circumstances that cause any person truthfully to say I am satisfied with my job" [1]. The term "job satisfaction" refers to an employee's general attitudes toward his job. Locke defines job satisfaction as a "Pleasurable or positive emotional state resulting from the appraisal of one's job or job experience, to the extent that person's job fulfill his dominant need and is consistent with his expectations and values" [2]. There are three major theories of job satisfaction viz, (Hoppock 1998).

i) Herzberg's Motivation-Hygiene Theory.
ii) Need Fulfilment Theory.
iii) Social Reference Group Theory.
iv) Smith Kendall and Hulin have suggested that there are five job dimensions that represent the most important characteristics of a job about which people have affective responses, these are:

- **The work itself:** The extent to which the job provides the individual with the interesting task, opportunities for learning and the chance of accept responsibility.
- **Pay:** The amount of financial remuneration that is received and the degree to which this is viewed as equitable vis-a-vis that of others in the organization.
- **Promotion opportunities:** The chance for advancement in the hierarchy.
- **Supervision:** The ability is on the supervision to provide technical assistance and behavioral support.
- **Co-Employees:** The degree to which follow Employees are technically proficient and socially supportive.

However, a comprehensive approach requires that may additional factors be included before a complete understanding of job satisfaction can be obtained. Such factors as the employee's are, health, temperament, desires and levels of aspiration should be considered.
Further, his family relationship, social status, recreational or purely social-contribute ultimately to job satisfaction.

6. DETERMINANTS OF JOB SATISFACTION:

According to Abraham A. Korman, [3] there are two types of variables which determine the job satisfaction of an individual. These are:

• Organizational variables, and
• Personal variables.

6.1 ORGANIZATIONAL VARIABLES

i) Occupational Level: The higher the level of the job the greater the satisfaction of the individuals. This is because of higher levels of job carry greater prestige and self control.
ii) Job Content: Greater the variation in job content and the less the repetitiveness with which the tasks must be performed, the greater the satisfaction of the individuals involved.
iii) Considerate Leadership: People like to be treated with consideration. Hence considerate leadership results in higher job satisfaction than inconsiderate leadership.
iv) Pay and Promotional Opportunities: All other things being equal these two variables are positively related to job satisfaction. An explanation for this finding lies in both theories discussed above.

v) Interaction in the Workgroup: Here the question is when the interaction in the workgroup a source of job satisfaction and when it is not? Interaction is must satisfying, when (Abraham A. Korman 1991). It results are being accepted by others. It facilitates the achievement of goals.

6.2 PERSONAL VARIABLES

For some people, it appears job will be dissatisfying irrespective of the organizational conditions involved, whereas or others, most jobs will be personal variables like age, educational levels, sex, etc.,

i) **Age:** Most of the evidence on the relation between age and job satisfaction, holding such factors as occupational level constants, seems to indicate that there is generally a positive relationship between the two variables up to the pre-retirement years and then there is a sharp decrease in satisfaction.

ii) **Educational Levels:** With occupational level held constant there is a negative relationship between the educational level and job satisfaction. The higher the educational, the higher the reference group which the individual looks to for guidance to evaluate his job rewards.

iii) **Role Perception:** The different individuals holder different perceptions about their role i.e., the kind of activities and behaviors they should engage in to a firm makes job successful. Job satisfaction is determined by this factor also.

iv) **Sex:** There is yet no confident evidence as to whether women are more satisfied with that their job than men. Holding such factors as job and occupational levels constant, one might predict this to be the case considering the generally lower occupational aspiration of women.

v)

7. EFFECTS OF JOB SATISFACTION:

Job satisfaction has a variety of effects. These effects may be seen in the context of an individual's physical and mental health, productivity, absenteeism, and turnover.

7.1 PHYSICAL AND MENTAL HEALTH

The degree of job satisfaction affects an individual's physical and mental health. Since job satisfaction is a type of mental feeling, its favorableness or unfavorableness affects the individual psychologically which ultimately affects his physical health. For example, Lawler has pointed out that drug abuse, alcoholism and mental and physical health result from psychologically harmful jobs. Further, since a job is an important part of life, job satisfaction influences general life satisfaction. The result is that there is spillover effect which occurs in both directions between job and life satisfaction.

7.2. PRODUCTIVITY

There are two views about the relationship between job satisfaction and productivity:

- A happy Employee is a productive Employee,
- A happy Employee is not necessarily a productive Employee.

i) The first view: establishes a direct cause-effect relationship between job satisfaction and productivity; when job satisfaction increases, productivity increases; when satisfaction decreases, productivity decreases. The basic logic behind this is that a happy Employee will put more efforts for job performance. However, this may not be true in all cases. For example, a Employee having low expectations from his jobs may feel satisfied but he may not put his efforts more vigorously because of his low expectations from the job. Therefore, this view does not explain fully the complex relationship between job satisfaction and productivity.

ii) Another view: That is a satisfied Employee is not necessarily a productive Employee explains the relationship between job satisfaction and productivity. Various research studies also support this view. This relationship may be explained in terms of the operation of two factors: effect of job performance on satisfaction and organizational expectations from individuals for job performance.

Job performance leads to job satisfaction and not the other way round. The basic factor for this phenomenon is the rewards (a source of satisfaction) attached with performance. There are two types of rewards-intrinsic and extrinsic. The intrinsic reward stems the job itself which may be in the form of growth potential, challenging job, etc. The satisfaction on such a type of reward may help to increase productivity. The extrinsic reward is subject to control by management such as salary, bonus, etc. Any increase in these factors does not heap to increase productivity though these factors increase job satisfaction.(Robbins 1997).

A happy Employee does not necessarily contribute to higher productivity because he has to operate under certain technological constraints and, therefore, he cannot go beyond certain output. Further, this constraint affects the management's expectations from the individual in the form of lower output. Thus, the work situation is pegged to minimally acceptable level of performance. However, it does not mean that the job satisfaction has no impact of productivity. A satisfied Employee may not necessarily lead to increased productivity but a dissatisfied employee leads to lower productivity.

7.3. ABSENTEEISM

Absenteeism refers to the frequency of absence of job holder from the workplace either unexcused absence due to some avoidable reasons or long absence due to some unavoidable reasons. It is the former type of absence which is a matter of concern. This absence is due to lack of satisfaction from the job which produces a 'lack of will to work' and alienate a Employee form work as for as posUCBLe. Thus, job satisfaction is related to absenteeism.

7.4 **SATISFACTION AND SAFETY**

Poor safety practices are negative consequences of low satisfaction level when people are discouraged about their job satisfaction. Company and supervisor, they are more liable to experience accidents. And underlying reason for such accidents is that discouragement, may take one's attention away from the task at hand. In-attention leads to accidents.

7.5**. EMPLOYEE TURNOVER**

Turnover of employees is the rate at which employees leave the organization within a given period of time. When an individual feels dissatisfaction in the organization, he tries to overcome this through the various ways of defense mechanism. If he is not able to do so, he opts to leave the organization. Thus, in general case, employee turnover is related to job satisfaction. However, job satisfaction is not the only cause of employee turnover, the other cause being better opportunity elsewhere. For example, in the present context, the rate of turnover of computer software professionals is very high in India.

However, these professionals leave their organizations not simply because they are not satisfied but because of the opportunities offered from other sources particularly from foreign companies located abroad.

8. BENEFITS OF EMPLOYEES JOB SATISFACTION :

- One benefit of employee job satisfaction survey is that they give management an indication about the general level of satisfaction in a company. Survey also indicates specific areas of satisfaction and dissatisfaction.
- Improved communication is another benefit of the survey.
- An unexpected benefit from a job satisfaction survey is improved attitudes. For some employees the survey is improved attitudes. For some employees the survey is a safety value, an emotional release, change to get things of their chests.
- Job satisfaction survey can help discover the causes of indirect productivity problems such as absenteeism, turnover and poor quality of work.
- Another benefit of job satisfaction survey is that it helps management assessing training needs.
- A job satisfaction survey is an indicator of the effective system of organizational reward system.
- One of the best uses of the job satisfaction survey is in the evaluation of the impact of organizational changes of the employee's attitude.

9. MODELS OF JOB SATISFACTION :

9.1 AFFECT THEORY

Edwin A. Locke's Range of Affect Theory (1976) is arguably the most famous job satisfaction model. The main premise of this theory is that satisfaction is determined by a discrepancy between what one wants in a job and what one has in a job. Further, the theory states that how much one values a given facet of work (e.g. the degree of autonomy in a position) moderates how satisfied/dissatisfied one becomes when expectations are/aren't met. When a person values a particular facet of a job, his satisfaction is more greatly impacted both positively (when expectations are met) and negatively (when expectations are not met), compared to one who doesn't value that facet. To illustrate, if Employee A values autonomy in the workplace and Employee B is indifferent about autonomy, then Employee A would be more satisfied in a position that offers a high degree of autonomy and less satisfied in a position with little or no autonomy compared to Employee B. This theory also states that too much of a particular facet will produce stronger feelings of dissatisfaction the more a worker values that facet. (Edwin A. Locke's 1976)

9.2 DISPOSITIONAL THEORY

Another well-known job satisfaction theory is the Dispositional Theory. It is a very general theory that suggests that people have innate dispositions that cause them to have tendencies toward a certain level of satisfaction, regardless of one's job. This approach became a notable explanation of job satisfaction in light of evidence that job satisfaction tends to be stable over time and across careers and jobs. Research also indicates that identical twins have similar levels of job satisfaction.

A significant model that narrowed the scope of the Dispositional Theory was the Core Selfevaluations Model, proposed by (Timothy A. Judge in 1998). Judge argued that there are four Core Self-evaluations that determine one's disposition towards job satisfaction: self-esteem, general self-efficacy, locus of control, and neuroticism. This model states that higher levels of self-esteem (the value one places on his/her self) and general self-efficacy (the belief in one's own competence) lead to higher work satisfaction. An internal locus of control (believing one has control over her\his own life, as opposed to outside forces having control) leads to higher job satisfaction. Finally, lower levels of neuroticism lead to higher job satisfaction.

9.3 TWO-FACTOR THEORY (MOTIVATOR-HYGIENE THEORY)

Frederick Herzberg's two factor theory (also known as Motivator Hygiene Theory) attempts to explain satisfaction and motivation in the workplace. This theory states that satisfaction and dissatisfaction are driven by different factors – motivation and hygiene factors, respectively. An employee's motivation to work is continually related to job satisfaction of a subordinate. Motivation can be seen as an inner force that drives individuals to attain personal and organization goals. Motivating factors are those aspects of the job that make people want to perform, and provide people with satisfaction, for example achievement in work, recognition, promotion opportunities. These motivating factors are considered to be intrinsic to the job, or the work carried out. Hygiene factors include aspects of the working environment such as pay, company policies, supervisory practices, and other working conditions. While Hertzberg's model has stimulated much research, researchers have been unable to reliably empirically prove the model, with Hackman & Oldham suggesting that Hertzberg's original formulation of the model may have been a methodological artifact. Furthermore, the theory does not consider individual differences, conversely predicting all employees will react in an identical manner to changes in motivating/hygiene factors. Finally, the model has been criticized in that it does not specify how motivating/hygiene factors are to be measured. (Herzberg 2008).

9.4 JOB CHARACTERISTICS MODEL

Hackman & Oldham proposed the Job Characteristics Model, which is widely used as a framework to study how particular job characteristics impact on job outcomes, including job satisfaction. The model states that there are five core job characteristics (skill variety, task identity, task significance, autonomy, and feedback) which impact three critical psychological states (experienced meaningfulness, experienced responsibility for outcomes, and knowledge of the actual results), in turn influencing work outcomes (job satisfaction, absenteeism, work motivation, etc.). The five core job characteristics can be combined to form a motivating potential score (MPS) for a job, which can be used as an index of how likely a job is to affect an employee's attitudes and behaviors. A meta-analysis of studies that assess the framework of the model provides some support for the validity of the JCM. (Hackman & Oldham 1999).

10. CONCLUSION:

Job satisfaction is heavily researched area of inquiry. This paper has focused specially on one aspect of job satisfaction, explicitly satisfaction with pay. The aim was to estimate the extent to which a bankers job satisfaction is determined by other variables mentioned above. The study highlights that these variables are among the contributing variables towards Job satisfaction. According to the results the job Satisfaction of bank officers is significantly dependent upon pay, promotion opportunities, rewards, relation with boss and co-worker. The main findings of this paper are, it is evident that the dependent variable satisfaction with pay has the expected positive effect on job satisfaction.

11. RECOMMENDATIONS :

On the basis of this paper some recommendations are given which are as follows :

- Provide a positive working environment
- Reward and Recognition
- Develop the skills and potential of your work force
- Evaluate and measure job satisfaction

REFERENCES:

1. An article on Human Resource Management, 2005; viewed 26 October 2013, <http://www.buzzle.com>.
2. Annual Reports of UCBL 2009, 2010, 2011, 2012, 2013, available in <http://www.ucbl.com>.
3. An article about Banking Sector in Bangladesh, viewed 03 November 2013, <http://www.reportbd.com>.
4. Bolton, L 1994, Are you still comfortably? Accountancy, 108(1179), pp.123.
5. Green, C; & Heywood, J.S 2008, does performance pay increase job satisfaction? Economica, 75, pp.

710-728.
6. Herzberg, F 2008, Work and the nature of man, London, Granada.
7. Maslow, A 1987, Motivation and personality, New York : Harper & Row
8. Robbins, D 1997, "Organization Development" Joseph Huber (ed), Human Resource Management, JC
9. press, Fairfox, pp. 211-225.
10. Thomson, A 2002, "Strategic HR", Strategic Human Resource Planning, pp. 68-90.
11. Thakur, M 2007, Job Satisfaction in banking: A study of private and public sector banks, The ICFAI Journal of bank management, 6(4), pp. 60-68.
12. Vroom, V.H 1964, Work & Motivation, New York, pp. 245-269.